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A SUMMARY OF THE SECOND FIVE YEAR DEVELOPMENT PLAN OF TURKEY
(1968 - 1972)

I. ECONOMIC PLANNING

- 7 JUN 1968

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Ankara
September 1967

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PART ONE

DEVELOPMENTS DURING THE FIRST FIVE YEAR PLAN PERIOD: 1962 - 1966

I. THE PERFORMANCE OF THE TURKISH ECONOMY DURING THE FIRST FIVE-YEAR PLAN (1963 - 1966)

1.1. Developments in GNP.

In recent years the Turkish Economy has exhibited a high growth rate in real terms. The GNP increased from TL. 61.9 billion in 1962 to TL 79.5 billion in 1966 by growing at an average rate of 6.5 per cent per annum. The planned target rate of growth was 7 per cent per annum. The developments in GNP are compared with the planned targets in Table 1.1.

Table 1.1. GNP (1962-1966)

In 1965 prices (TL Billion)

	Plan Targets	Annual Increase %	Realization in 1965 Prices	Annual Increase %	Index 1962 = 100
1962	62.497	-	61.882	-	100.0
1963	66.871	7.0	66.648	7.7	107.7
1964	71.553	7.0	69.910	4.9	113.0
1965	76.562	7.0	73.127	4.6	118.2
1966	81.921	7.0	79.536	8.8	128.5

As can be observed from Table 1.1 the growth rate of GNP fluctuated between 4.6 per cent and 8.8 per cent. This fluctuation was due to fluctuations in agricultural output caused by changes in weather conditions. As Table 1.2 shows, because of two good and two bad years, agricultural incomes increased 7.6 per cent in 1963 and 8.6 per cent in 1966, but remained constant in 1964 and declined by 3.3 per cent in 1965.

Tables 1.1, 1.2 and 1.3 are consistent with each other, in that they show that agriculture has remained the dominant sector of the economy during the period under consideration.

1.2. The Structure of the Turkish Economy

Owing to the fact that income per capita is very low as a result of a very rapid increase in population in Turkey, consumer goods production accounted for 76 percent of total production in 1963. The shares of intermediate and investment goods production were only 13 per cent and 11 per cent respectively in the same year. However, the share of consumer goods output in total gross output of manufacturing industries fell from 65.4 per cent in 1963 to 60.6 per cent in 1967

TABLE 1.2: Distribution of the National Income by Sectors of Origin In 1965 Prices (TL Million)

SECTORS	1962	1963	Rate of Increase %	1964	Rate of Increase %	1965	Rate of Increase %	1966	Rate of Increase %	1966 Index 1962=100	1962-66 Average Annual Rate of Incr. %
Agriculture	22,121.7	23,813.7	7.6	23,813.7	-	23,053.0	- 3.3	25,035.5	8.6	113.2	3.3
Industry	8,993.5	9,716.3	8.0	10,551.9	8.6	11,491.0	8.9	12,628.6	9.9	140.4	8.9
Construction	3,052.6	3,240.0	6.1	3,505.7	8.2	33,716.0	6.0	4,050.4	9.0	132.7	7.3
Trade	4,918.7	5,280.0	7.3	5,739.4	8.7	6,129.7	6.8	6,595.5	7.6	134.1	7.6
Transportation	3,491.3	3,786.3	8.4	4,024.8	6.3	4,306.5	7.0	4,668.2	8.4	133.7	7.5
Financial Institutions and Professions	3,940.6	4,218.7	7.0	4,522.5	7.2	4,852.6	7.3	5,226.2	7.7	132.6	7.3
Dwellings	1,835.8	1,960.6	6.8	2,107.7	7.5	2,295.3	8.9	2,490.4	8.5	135.7	8.0
Government Services	5,351.3	5,783.2	8.0	6,193.8	7.1	6,769.8	9.3	7,257.2	7.2	135.6	7.9
Net Domestic Product at Factor Cost	53,705.5	57,798.8	7.6	60,459.5	4.6	62,613.9	3.6	67,952.0	8.5	126.5	6.1
Net Income from Abroad	- 272.2	- 191.9	29.5	- 208.4	- 8.6	+ 214.2	102.8	+ 484.9	126.4	278.1	29.2
Net National Product (At factor cost)	53,433.3	57,606.9	7.8	60,251.1	4.6	62,828.1	4.3	68,436.9	8.9	128.1	6.4
Indirect Taxes	5,722.1	6,165.9	7.7	6,579.0	6.7	7,000.1	6.4	7,560.1	8.0	132.1	7.2
Net National Product (at market prices)	59,155.4	63,772.8	7.8	66,830.1	4.8	69,828.2	4.5	75,997.0	8.8	128.5	6.5
Depreciation	2,727.4	2,786.0	5.4	3,080.2	7.1	3,298.9	7.1	3,539.7	7.3	129.8	6.8
Gross National Product	61,882.8	66,648.8	7.7	69,910.3	4.9	73,127.1	4.6	79,536.7	8.8	128.5	6.5

TABLE 1.3: Shares of Sectoral Incomes (at Factor cost) in Domestic Income (Per cent)

Sectors	1962	1963	1964	1965	1966
Agriculture	41.2	41.2	39.4	36.8	36.8
Industry	16.7	16.8	17.5	18.4	18.6
Construction	5.7	5.6	5.8	5.9	6.0
Trade	9.2	9.1	9.5	9.8	9.7
Transportation	6.5	6.6	6.7	6.9	6.9
Financial Institutions and Professions	7.3	7.3	7.5	7.7	7.7
Dwellings	3.4	3.4	3.5	3.7	3.7
Government Services	10.0	10.0	10.1	10.8	10.6
Domestic Income	100.0	100.0	100.1	100.0	100.0

(estimate) while the share of intermediate and investment goods output in total gross output increased from 25.5 per cent and 9.1 per cent in 1963 to 28.5 per cent and 10.0 per cent in 1967 (estimate), respectively.

A structural change in terms of the percentage shares of productive sectors in GNP also took place in the period 1962-1966, although not to the extent envisaged in the First Five Year Plan. As can be observed in Tables 1.2 and 1.3, agricultural net incomes at factor cost increased at a rate of 3.3 per cent per annum on the average while the incomes of industries grew at a rate of 8.9 per cent per annum. Therefore, while the share of industry in net national income at factor cost increased from 16.7 per cent in 1962 to 18.6 per cent in 1966, the share of agriculture declined from 41.2 per cent to 36.8 per cent in the same period.

The distribution of National Income by sectors and their percentage shares are given in Tables 1.2 and 1.3.

1.3 Investments

Table 1.4, which compares planned investment targest and corresponding actual investments during the period 1963-1966 shows that realized total investment in four years was TL 4.2 billion below the planned target.

This shortage was observed only in public sector investments, as shown in Table 1.5. Although it can be observed from Table 1.5 that private investments were above the planned targets throughout the period in question, the composition of actual investments was not in conformity with the planned composition. This is demonstrated by the fact that the share of investment in housing in total private investment increased from 43.2 per cent in 1963 to 46 per cent in 1965 and the share of investment in manufacturing industries fell from 36.4 per cent in 1963 to 23.9 per cent in 1965. On the other hand, the share of the public sector both in total investment and investment in manufacturing industries increased substantially.

Table 1.4. Investment: Planned Targets and Realizations

(In 1965 Prices TL Billion)

Years	Plan Target	Realization	Realization	Index 1962 = 100
1963	10.9	10.8	99.1	131.7
1964	12.4	10.8	87.1	131.7
1965	13.8	12.0	87.0	146.3
1966 (estimate)	15.0	14.3	95.3	174.4
Total (1963 - 1966)	52.1	47.9	91.9	-

Table 1.5. Distribution of Investment by Private and Public Sector, 1963-1966

(In 1965 prices, TL Billion)

	TL Billion				Per Cent Share of Private Sector in Total	
	Private Sector		Public Sector			
Years	Plan	Realization	Plan	Realization	Plan	Realization
1963	4.3	5.3	6.6	5.5	39.4	49.1
1964	4.8	5.0	7.6	5.8	38.7	46.3
1965	5.4	5.5	8.4	6.5	39.1	45.8
1966 (Prov.)	6.0	6.4	8.9	7.9	40.0	42.9

Table 1.6: Distribution of Total Investment by Sectors, 1963-1966 (TL Million In 1965 Prices)

	PLAN		PROGRAMME		REALIZATION	
	TL Mil	%	TL Mil.	%	TL Mil.	%
1. Agriculture	8,781	16.9	8,381	16.1	7,455	15.5
2. Mining	3,193	6.1	3,128	6.0	2,700	5.6
3. Manufacturing	9,730	18.7	9,901	19.1	8,775	18.3
4. Energy	4,390	8.4	4,248	8.2	3,335	17.0
5. Transportation	6,832	13.2	7,404	14.3	7,007	14.6
6. Dwelling	10,608	20.4	10,029	19.3	10,103	21.1
7. Education	3,507	6.7	3,510	6.8	3,168	6.6
8. Health	1,173	2.3	1,060	2.0	8,160	1.8
9. Tourism	725	1.4	1,068	2.1	8,899	1.9
10. Services	3,051	5.9	3,164	6.1	3,644	7.6
TOTAL	51,990	100.0	51,893	100.0	47,936	100.0

1.4. General Equilibrium of the Economy

Although quite a high rate of increase in GNP was achieved in the period 1962-1966, and particularly in 1966, the level of total resources available over the five year period was 1.5 per cent below the planned target. The inflow of foreign savings was 36.7 percent below the level envisaged for the first four years of the First Plan period. This was due on the one hand to the fact that imports were below the planned level and on the other hand to unexpected increases in exports and invisible receipts.

The ratio of total investment to total resources increased substantially, though the absolute level achieved was lower than the level foreseen in the plan. While this share increased from 16.3 per cent in 1963 to 18 per cent in 1966, the share of foreign savings allocated to investment to total resources fell from 4.1 per cent to 1.9 per cent in the same year. The distribution of investment by private and public sector was described earlier. It is relevant to mention here that current expenditure of the public sector surpassed the planned targets in some of the years, and therefore government savings increased relatively slowly. However, the developmental type of current expenditure is included in total current expenditure, which had to be increased rapidly parallel to development in general.

Total resources and uses are summarized in Table 1.7.

1.5 Public Finance

The public revenue targets were not realized either as absolute values or as percentages of GNP in the period 1962-1966. Additional efforts were made to increase tax receipts and to increase the resources generated by the State Economic Enterprises in particular. Although the total revenue targets were not realised, this was not so for every item. For all the items except tax revenues the planned targets were either reached or surpassed. In particular the receipts of the SEES, including the financial institutions (Pension Fund and Workers' Insurance), surpassed the planned targets both in absolute terms and as a percentage of GNP.

Owing to the fact that most of the tax measures taken applied to indirect taxation, the share of direct taxes in total tax receipts did not increase.

Table 1.7: Resources and Expenditures TL Million (In 1965 prices)

	1962	1963	1964	1965	1966	4 Year Increase (%)	Average Annual Rate of Increase (%)
RESOURCES:			(TL Million)				
GNP	61,882.8	66,648.8	69,910.3	73,127.1	79,536.7	28.53	6.5
Foreign deficit	2,178.0	2,709.0	954.0	693.0	1,476.0		
Total resources	64,060.8	69,357.8	70,864.3	73,820.1	81.012.7	26.46	6.0
USE OF RESOURCES:							
Total investment	8,157.6	10,838.7	10,828.1	11,950.3	14,313.3	75.46	15.0
Private sector	3,767.4	5,343.4	4,996.1	5,430.0	6,382.9	69.42	14.0
Public sector	4,390.2	5,495.3	5,832.0	6,520.3	7,930.4	80.64	16.0
Public current expenditures	8,643.9	9,890.0	11,452.8	11,565.0	12,357.8	42.97	9.4
Other expenditures	47,259.3	48,628.6	48,583.4	50,304.8	54,341.6	14.99	3.9
Total expenditures	64,060.8	69,357.8	70,864.3	73,820.1	81,012.7	26.46	6.0
			(Per cent of GNP)				
Foreign savings	3.5	4.1	1.4	0.9	1.9		
Total investment	13.2	16.3	15.5	16.3	18.0		
Public investment	7.1	8.3	8.3	8.9	10.0		
Private investment	6.1	8.0	7.2	7.4	8.0		
Public current expenditure	13.9	14.8	16.4	15.8	15.5		
Other expenditure	76.4	73.0	69.5	68.8	68.3		

The expenditure targets were also not reached in the same period.

The following are the causes of the shortfall in tax receipts:

(1) No reforms in tax courts and tax administration were carried out;

(2) Inefficiency of the tax control system;

(3) The tax reform envisaged in the First Plan to cover all the fields with taxable capacity was not carried out.

The public revenues and expenditures are summarized in Tables 1.8 and 1.9.

1.6. Foreign Economic Relations

The developments in foreign economic relations and the balance of payments are described under four headings. The balance of payments positions over the period 1962-1966 are given in Table 1.10.

Table 1.10. Balance of Payments (1963 - 1966) $ Million

				(Provisional)	
	1962	1963	1964	1965	1966
1. CURRENT ACCOUNT					
A. FOREIGN TRADE:					
1. Exports (F.O.B.)	381	368	411	464	490
2. Imports (C.I.F.)	-622	-688	-537	-572	-718
Trade Balance	-241	-320	-126	-108	-228
B. INVISIBLE ITEMS:					
1. External Interest Payments	- 33	- 31	- 31	- 30	- 33
2. Tourism & Travel (net)	- 10	- 13	- 13	- 11	- 13
3. Workers' Remittances	-	-	9	70	115
4. Profit Transfers	- 2	- 2	- 5	- 15	- 20
5. Service Expenditures on Project Credits	-	-	- 4	- 7	- 6
6. Other Invisibles	4	16	5	4	2
Total Invisibles	- 41	- 30	- 39	11	45
C. INFRASTRUCTURE AND OFFSHORE	40	49	59	20	19
Balance on Current Accounts	-242	-301	-106	- 77	-164
II. CAPITAL ACCOUNT:					
1. Foreign Debt Payments	- 97	-114	-110	-161	-149
2. PL 480 (Surplus)	71	94	32	29	20
3. Private Foreign Capital	36	21	25	22	29
4. Project Credits	26	97	36	57	54
5. Imports with Credits	26	10	10	-	-
6. Imports with Waiver	-	5	7	6	6
7. Programme Credits	152	169	145	169	206
Capital Account Balance	214	282	145	122	166
Balance	- 28	- 19	39	45	2
III. RESERVE MOVEMENTS	11	47	- 11	- 13	51
IV. SHORT TERM CAPITAL MOVEMENTS	-	- 35	21	- 35	- 25

Table 1.8: Resource Targets of the Public Sector (As percent of GNP)

Years	Tax Revenues	Other Public Revenues	Savings Bonds	Funds Created by SEE's	Local Adminis-trations	Counterpart Funds and Project Credits	Unspecified Resources	TOTAL
1962: Plan Target	14.61	1.76	0.95	1.04	2.55	3.83	-	24.74
Realization	13.61	1.47	0.77	0.62	2.51	2.40	-	21.63
1963: Plan Target	15.95	1.74	0.95	1.19	2.55	2.50	1.48	26.36
Realization	13.32	2.10	0.75	1.29	2.24	3.20	-	22.90
1964: Plan Target	16.74	1.74	0.95	1.59	2.55	2.60	0.30	26.45
Realization	13.66	2.05	0.80	1.52	2.35	2.16	-	22.54
1965: Plan Target	16.93	1.67	0.95	1.57	2.55	2.16	0.70	26.53
Realization	14.03	2.00	0.86	2.13	2.39	1.94	-	23.35
1966: Plan Target	17.10	1.64	0.95	1.56	2.55	2.16	1.29	27.25
Realization	15.13	1.78	0.92	1.94	2.27	1.58	-	23.62

Table 1.9. Public Sector Expenditures, 1962 - 1966. (TL. Million) (In Current Prices)

	1962	1963	1964	1965	1966 (1)
			(TL Million)		
1. Public Sector Expenditures	11,739	14,538	16,815	18,085	20,978
a. Current Expenditures	7,719	9,396	8,228	8,822	9,918
b. Investment Expenditures	4,020	5,142	5,660	6,520	8,200
c. Transfers (2)	-	-	2,927	2,743	2,860
			(As Per Cent of GNP)		
1. Public Sector Expenditures	22.47	22.98	24.71	24.73	25.51
a. Current Expenditure	14.77	14.85	12.09	12.06	12.06
b. Investment Expenditures	7.69	8.13	8.32	8.92	9.97
c. Transfers (2)	-	-	4.30	3.75	3.48

(1) Provisional

(2) The transfers are included in current expenditure in 1962 and 1963.

1.6.1. Imports

The actual total imports during the first four years of the First Plan surpassed the planned targets, particularly in 1963 because of machinery imports for Eregli Iron & Steel Mill and in 1966 because of a very low level of imports (below the planned targets) in the previous two consecutive years.

While the raw material imports increased very rapidly, investment goods imports were below the target. Consumer goods imports were kept at the target levels.

Imports by regions and commodity groups are given in Table 1.11 and 1.12.

Table 1.11. Composition of Imports $ Million

Years	Investment Goods	Raw Materials	Consumer Goods	Total
1963	256.0	327.4	104.2	687.6
1964	197.3	295.9	44.2	537.4
1965	197.0	313.0	62.0	572.0
1966(1)	260.0	373.0	85.0	718.0

(1) Provisional

Table 1.12. Percentage Distribution of Imports by Regions

	1963	1964	1965	1966
1. OECD Countries	76.4	74.8	73.9	75.3
2. Bilateral Agreement Countries	12.1	11.7	13.5	13.4
3. Other Countries	11.5	13.5	12.6	10.3
	100.0	100.0	100.0	100.0

1.6.2. Exports

During this period exports exceeded the target level by 12%. The main reason for this was the sale of existing surpluses of some agricultural goods, and the increase in the production of exportable agricultural goods. In order to achieve a structural change in exports, it would have been necessary to increase the proportion of industrial goods exports in total exports. But in the First Five Year Plan Period this proportion remained at its previous level owing to the high costs of industrial production and lack of marketing efforts.

Exports are given in Tables 1.13 and 1.14.

Table 1.13. Exports by Commodity Groups $ Million

	Agricultural Products	Mining Products	Manufactured Products	Total
1963	284.2	10.5	73.3	368.0
1964	311.5	15.0	84.3	410.8
1965	351.9	21.0	90.8	463.7
1966	379.0	23.2	88.3	490.5

Table 1.14. Percentage Distribution of Exports by Region

	1963	1964	1965	1966
1. OECD Countries	79.2	78.5	72.4	73.8
2. Bilateral Agreement Countries	13.1	14.6	19.0	18.7
3. Other Countries	7.7	6.9	8.6	7.5
Total	100.0	100.0	100.0	100.0

1.6.3. Invisibles

Interest payments exceeded the envisaged levels while net tourism receipts fell below the targets. The balance of invisibles began to be positive in 1965 mainly because of an unexpected increase in workers' remittances not envisaged in the Plan. Workers' remittances are expected to reach 130 million dollars in 1967.

1.6.4. Capital Movements

The capital imports to close the deficit on current account as well as to repay foreign debts did not work out as expected in the Plan. The overall balance of payments deficit was smaller than expected because foreign aid and credits were not at the assumed level and foreign exchange receipts were unexpectedly high.

The Plan targets and actual capital imports are given in Table 1.15. As can be seen from the table, the planned level of capital imports was 4.8 per cent of the GNP in 1963, whereas the actual share was 3.8 per cent. Likewise in 1966 the actual share is estimated to be 2.8 per cent as against the planned share of 3.1 per cent.

Table 1.15. Capital Movements $ Million

	1963		1964		1965		1966	
	Plan	Realization	Plan	Realization	Plan	Realization	Plan	Realization
				($ Million)				
Capital Movements	251	282	273	145	242	122	246	170
Foreign Debt Payments	-148	-114	-99	-110	-164	-161	-80	-119
PL 480	60	94	60	32	60	29	60	17
Private Foreign Capital	25	21	25	25	25	22	25	30
Other Capital Imports (Foreign Finance)	349(1)	281	322(1)	198	356(1)	232	276(1)	242
				(Per Cent)				
Ratio of Capital Imports to GNP (GNP in 1965 prices)	4.78	3.80	4.13	2.57	4.28	2.86	3.07	2.76

(1) Including errors and omissions, etc.

Commitments and actual use of project credits (which are included in capital imports) are shown in Table 1.16.

Table 1.16: Project Credits, 1963-1966 ($ Million)

	1963	1964	1965	1966	Total
Commitments	40.5	107.0	160.0	156.0	463.5
Actual Use	107.0	37.2	57.2	72.5	377.7

Source: Ministry of Finance

1.7 Prices

The general price level was kept relatively stable throuthout the First Plan period. The wholesale price index shows price stability, except in 1965. The cost of living index, however, increased more than the wholesale price index. This was due to the fact that the weights of foods used in building up the cost of living index are heavier than the others and that food prices increased more than the average.

Table 1.17: Changes in Prices (Annual Averages) (Per cent)

	1962	1963	1964	1965	1966	Index for 1966 1962 = 100
1. Wholesale Price Index	5.7	4.2	-0.7	9.0	4.0	117.7
a. Food and Feeds	8.8	4.2	-1.9	9.4	5.8	118.5
b. Industrial Raw Materials and Semifinished Goods	-	3.8	1.8	7.2	2.0	115.7
2. Cost of Living Index (Ankara)	3.8	6.1	1.9	7.0	5.0	121.6
3. Cost of Living Index (Istanbul)	3.8	6.5	0.8	5.0	9.0	122.0

1.8 Money and Credit

1.8.1 Money

During the period 1962-1966 the supply of money increased at an average rate of 15.9 per cent per annum, rising from TL. 10.9 billion in 1962 to TL. 19.7 billion in 1966. Banknotes in circulation increased 12.4 per cent per annum, deposits with the banks increased 13.1 per cent per annum and savings deposits increased 20.2 per cent per annum during the same period. Money supply is given in Table 1.17.

Table 1.17: Money Supply (As of the end of December) (TL Million)

	1962	1963	1964	1965	1966	Increase 1962-66 %	Increase Annual %
Banknotes & Coins	4,527	4,926	5,835	6,326	7,148	57.9	12.1
Banknotes	4,368	4,772	5,664	6,174	6,975	59.7	12.4
Coins	159	154	171	152	173	8.8	2.0
Deposits	1,950	1,999	2,230	2,580	3,203	64.3	13.0
Commercial Demand Deposits	1,747	1,805	2,207	2,555	3,178	81.9	16.0
Central Bank Deposits	203	194	23	25	25	-12.0	-
Sight Savings (Demand) Deposits	4,487	5,242	5,934	7,528	9,409	109.2	20.2
Total Money Supply On which checks can be issued	10,964	12,167	13,999	16,434	19,760	80.2	15.9

1.8.2. Credit

Bank credit increased 19.5 per cent per annum, rising from TL. 11.2 billion in 1962 to TL. 19.1 billion in 1966. On the other hand the credit measures and related organizational activities foreseen in the First Five Year Plan to stimulate private enterprise could not be achieved.

The share of the Central Bank in total credits increased substantially in the period under consideration. But this does not mean that the Central Bank's effectiveness in this field increased; in fact the direct credits of the Central Bank were mostly given to public enterprises and therefore the Bank was less effective in overall credit policy.

The establishment of the State Investment Bank to meet the long-term credit needs of the State Economic Enterprises produced significantly good results for these enterprises. On the other hand, the medium- and long-term credit needs of the private industrial enterprises were not adequately met.

PART TWO

THE ECONOMIC TARGETS AND POLICIES OF THE SECOND FIVE YEAR PLAN

the period [illegible] in loan [illegible] increased, in fact [illegible] Banks were mainly given to public enterprises and therefore [illegible] less effective in overall public policy.

[illegible] The establishment of the State Investment Bank to meet the long-term [illegible] State Economic Enterprises [illegible] on the other hand, the medium and long-term [illegible] private industrial enterprises [illegible]

II. GENERAL PRINCIPLES AND OBJECTIVES OF THE SECOND FIVE YEAR PLAN

The Second Five Year Plan has been prepared with a view to the following general principles and objectives:

(1) To raise the standard of living of the Turkish nation through democratic means and within the framework of the mixed economy system.

(2) To maintain a rapid increase in per capita income and achieve balanced development between various regions and different income groups.

(3) To secure possibilities of employment for a greater number of people, to share the benefits and burdens of development with equity and within the principles of social justice, and to attain stable improvement in the social and economic structure.

III. METHODOLOGY

In order to give guidance in choosing various targets of the Second Five Year Plan and to determine the policy instruments to achieve these targets in a consistent way, a methodology consisting of three different but interrelated stages has been used. In the first stage, the macro type of magnitudes of the economy were analyzed within the framework of a multi-sector mathematical model. In the second stage more detailed sector studies were carried out with the extensive use of input-output models based on versions of the 1963 input-output table, updated with respect to changes in technical coefficients due to forthcoming new investment projects. In the third stage individual project evaluations were carried out to complete the consistency check on various values obtained in the previous stages.

The inherent characteristic of this methodology is that upward and downward consistency were ascertained at every stage throughout the whole exercise.

IV. THE MACRO ECONOMIC TARGETS OF THE SECOND FIVE YEAR PLAN

4.1. The Rate of Growth of GNP

The main target of the Second Five Year Plan is to increase the GNP by 7 per cent per annum. The justification of a 7 per cent per annum growth rate of GNP can be summarized as follows:

(1) Despite the fact that the 1963-1966 period was the first few years of planned development, a rate of increase as high as 6.5 per cent per annum in the GNP in real terms has been achieved, which shows that 7 per cent per annum for the Second Plan period is not an unattaintable target.

(2) The Turkish economy has the potential and possibilities to mobilize its diverse resources to sustain a 7 per cent per annum growth rate.

(3) A 7 per cent per annum growth rate is a minimum requirement to close the gap between Turkey and the more advanced countries in the long run.

In order to attain a 7 per cent per annum growth rate, GNP will be increased 40.3 per cent over the period 1967-1972. Thus, GNP will be increasing from TL 85.1 billion in 1967 to TL 119.4 billion in 1972 in 1965 prices.

On the other hand, per capita GNP will increase 23.7 per cent over the same period, thus rising from TL 2,580 ($286) in 1967 to TL 3,200 ($355) in 1972. Taking into account a 2.6 per cent annual increase in population, increase in per capita GNP will be approximately 4.4 per cent per annum and consumption per capita, or the standard of living, will increase by 2.5 per cent per annum.

An increase of 7 per cent per annum in GNP requires that net income at factor cost in agriculture should increase 4.1 per cent, in industry 12 per cent, in construction 7.2 per cent, in transportation 7.2 per cent, in housing 5.9 per cent, and in other sectors 6 per cent.

Thus, significant structural changes have also been aimed at. As has been shown in Table 4.1, the industrial sector will have the highest growth rate during the period 1968-1972 and its share in GNP will be increasing from 16.3 per cent in 1967 to 20.5 per cent in 1972. The non-industrial sectors, on the other hand, will be increasing at a rate of 5.4 per cent per annum and their share in GNP will be decreasing from 83.7 per cent in 1967 to 79.5 per cent in 1972. This high growth rate in the industrial sector will facilitate a high overall growth rate.

Table 4.1. Net Domestic Income (at Factor Cost) and GNP, 1967-1972

(TL Billion in 1965 Prices)

Sectors	TL Billion 1967	TL Billion 1972	Index for 1972 1967=100	Annual Average Increase %	% of GNP 1967	% of GNP 1972
Agriculture	25.3	30.9	122.1	4.1	29.7	25.9
Industry	13.9	24.5	176.3	12.0	16.3	20.5
Transportation	5.0	7.1	142.0	7.2	5.9	5.9
Construction	4.3	6.1	142.0	7.2	5.0	5.1
Housing	2.7	3.6	133.3	5.9	3.2	3.0
Others	20.3	27.2	134.0	6.0	23.9	22.9
Domestic Income (at factor cost)	71.5	99.4	139.0	6.8	84.0	83.2
GNP	85.1	119.4	140.3	7.0		

4.2. Lessening the Economic Dependence on Foreign Resources

The second target is to lessen the economic dependence on foreign resources. In order to achieve this objective the ratio of foreign savings to GNP will be reduced from 2 per cent in 1967 to 1.7 per cent in 1972. The ratio of development credits to GNP, except the part required to increase foreign exchange reserves, will be reduced from 2.4 per cent to 1.7 per cent in the same period.

While aiming at achieving these targets the inflationary and deflationary pressures will be taken care of. In addition, expanding the industrial sector to make it the leading sector of the economy and lessening the dependence of agriculture on weather conditions have been adopted as basic principles in order to achieve the 7 per cent per annum growth rate.

4.3. The General Equilibrium of the Economy

Because of the deficit in the balance of payments and insufficient domestic savings, foreign resources will have to be imported. Thus, although the ratio of foreign savings to GNP will be decreasing, they will be increasing from TL 1.7 billion in 1967 to TL 2 billion in 1972. Total resources and uses are summarized in Table 4.2.

Table 4.2. Resources and Uses (TL Billion in 1965 Prices)

	1967	1968	1969	1970	1971	1972	% Increase In 5 Years	% Increase Annual
A. Total Resources	86.8	92.9	99.4	106.4	113.6	121.4	39.9	7.0
1. GNP	85.1	91.1	97.4	114.3	111.6	119.4	40.3	7.0
2. External Sav.	1.7	1.8	2.0	2.1	2.0	2.0	17.6	3.3
B. Total Expenditure	86.8	92.9	99.4	106.4	113.6	121.4	39.9	7.0
1. Investment Expenditure	16.9	18.8	21.0	23.6	26.6	29.0	71.6	11.4
a. Fixed Capital Investments	16.1	17.5	19.6	22.1	25.0	27.3	69.6	11.2
Private Inv.	7.4	8.1	9.3	10.5	11.7	13.3	79.7	12.5
Public Inv.	8.7	9.4	10.3	11.6	13.3	14.0	60.9	10.0
b. Changes in Stocks	0.8	1.3	1.4	1.5	1.6	1.7	112.5	16.3
2. Consumption Expenditures	69.9	74.1	78.4	82.8	87.0	92.4	32.2	5.8
a. Private Consumption	57.9	61.1	64.5	67.8	70.4	74.1	28.0	5.1
b. Public Consumption	12.0	13.0	13.9	15.0	16.6	18.3	52.5	8.8

4.3.1. Investment Expenditure

During the Second Five Year Plan period the level of investment will be raised from TL 16.9 billion in 1967 to TL 29 billion in 1972. Thus, the investment expenditure, which was 19.9 per cent of the gross national product in 1967, will reach 24.3 per cent of the gross national product in 1972.

It is estimated that the share of the private sector will increase from 46.7 per cent of total investment expenditure in 1967 to 49.3 per cent in 1972. However, this distribution is not unalterable. Should voluntary savings fall below the estimated levels, public investment will be increased and the total volume of investment foreseen in the Plan will be attained.

In the Second Plan, unlike the First Plan, changes in stocks are excluded from the consumption expenditure and are dealt with separately. Changes in stocks are computed in connection with the increases in agricultural and industrial production.

4.3.2. Consumption Expenditure

Consumption expenditure, which was 82.1 per cent of the gross national product in 1967, will fall to 77.4 per cent in 1972. Increase in consumption by not more than 5.8 per cent per annum on the average is taken as a target in order to attain the objectives foreseen by the Plan. It is estimated that public consumption, including the transfers other than income transfers made to the private sector will increase by 8.8 per cent per annum on the average, and its ratio to the gross national product, which was 14.1 per cent in 1967, will reach an average of 15.3 per cent in 1972.

An average of 5.1 per cent increase in private consumption has been taken as a target. Thus, the ratio of consumption expenditure to the gross national product is estimated to fall from 68.0 per cent in 1967 to 62.1 per cent in 1972.

Relative changes in the structure of private consumption are also expected. Private consumption figures are shown in the table below.

Table 4.3. Private Consumption Expenditures in the Second Five Year Plan Period (TL Billion in 1965 Prices)

Sectors	1967 Absolute Value	1967 % of Total	1972 Absolute Value	1972 % of Total
1. Agricultural Food Products	16.1	27.8	19.3	26.0
2. Fuels	0.5	0.9	0.6	0.8
3. Processed Food Products, Beverages, Tobacco	11.8	20.4	15.9	21.5
4. Textiles and Clothing	4.5	7.8	5.2	7.0
5. Other Industrial Products	5.5	9.5	7.9	10.7
6. Electricity	0.2	0.3	0.4	0.5
7. Services	19.3	33.3	24.8	33.5
Total	57.9	100.0	74.1	100.0

4.3.3. Investment - Saving Equilibrium

In order to secure an increase of TL 34.3 billion in the gross national product during the Second Five Year Plan period, TL 111.5 billion of fixed capital investments should be made in five years, in accordance with the capital-output ratio computed as 3.25. During the same period increases in stocks are expected to be TL 7.5 billion. Thus, the total gross investment will reach TL 119.0 billion.

As a result of the various measures to be taken, voluntary savings, which are 8.9 per cent of the gross national product in 1967, will increase on the average by 9.2 per cent per annum and will reach 9.9 per cent of the gross national product in 1972, thus rising from TL 7.6 billion to TL 11.8 billion. Public savings are computed to rise from TL 7.3 billion in 1967 to TL 12.7 billion in 1972.

When the total amount of voluntary savings and public savings are taken together a continuous savings gap at an increasing rate is going to be observed every year. This deficit will be met partly through external savings and partly through efforts to increase public savings.

Thus the ratio of total savings to gross national product during the Second Five Year Plan period will be raised from 19.9 per cent in 1967 to 24.3 per cent in 1972. This ratio, on the average, will be 22.7 per cent of the gross national product. On the other hand, the ratio of domestic savings to GNP will be increasing from 17.9 per cent to 22.6 per cent.

Table 4.4. Savings Gap (TL Billion in 1965 Prices)

	1967	1968	1969	1970	1971	1972
Total Investment	16.9	18.8	21.0	23.6	26.6	29.0
Domestic Savings	14.9	16.4	18.2	20.3	22.6	24.5
Voluntary Savings	7.6	8.4	9.3	10.1	10.8	11.8
Public Savings	7.3	8.0	8.9	10.2	11.8	12.7
Additional Savings Requirement	2.0	2.4	2.8	3.3	4.0	4.5
Requirement to be Met Through External Savings	1.7	1.8	2.0	2.1	2.0	2.0
Additional Domestic Savings Required	0.3	0.6	0.8	1.2	2.0	2.5

Table 4.5. Investment Saving Equilibrium (TL Billion in 1965 Prices)

Years	Fixed Capital Investment	Increases in Stocks	Total Investment	Domestic Savings	External Savings	Total Savings
			(TL Billion)			
1967	16.1	0.8	16.9	15.2	1.7	16.9
1968	17.5	1.3	18.8	17.0	1.8	18.8
1969	19.6	1.4	21.0	19.0	2.0	21.0
1970	22.1	1.5	23.6	21.5	2.1	23.6
1971	25.0	1.6	26.6	24.6	2.0	26.6
1972	27.3	1.7	29.0	27.0	2.0	29.0
Average 1968-1972	111.5	7.5	119.0	109.1	9.9	119.0
			(Percent of GNP)			
1967	18.9	0.9	19.9	17.9	2.0	19.9
1968	19.2	1.4	20.6	18.6	2.0	20.6
1969	20.1	1.4	21.5	19.5	2.0	21.5
1970	21.2	1.4	22.6	20.6	2.0	22.6
1971	22.4	1.4	23.8	22.0	1.8	23.8
1972	22.9	1.4	24.3	22.6	1.7	24.3
Average 1968-1972	21.3	1.4	22.7	20.8	1.9	22.7
Average Annual Rate of Incr.	11.2	16.3	11.4	12.2	3.3	11.4

Table 4.6. GNP and Savings (TL Billion in 1965 Prices)

	1967	1968	1969	1970	1971	1972	% Increase	
							5-Year	Average Annual
GNP	85.1	91.1	97.4	104.3	111.6	119.4	40.3	7.0
Disposable Income	65.5	69.5	73.8	77.9	81.2	85.9	31.1	5.6
Disposable Income/GNP	77.0	76.3	75.8	74.7	72.8	71.9	-	-
Private Domestic Savings	7.6	8.4	9.3	10.1	10.8	11.8	55.3	9.2
Private Domestic Savings/Disposable Income	11.6	12.1	12.6	13.0	13.3	13.7	-	-
Public Savings	7.6	8.6	9.7	11.4	13.8	15.2	100.0	14.9
Public Savings/GNP	8.9	9.4	10.0	10.9	12.4	12.7	-	-
Total Domestic Savings	15.2	17.0	19.0	21.5	24.6	27.0	77.6	12.2
Total Domestic Savings/GNP	17.9	18.7	19.5	20.6	22.0	22.6	-	-

4.4. Financing of the Public Sector

(1) Public Expenditure Targets

The public sector expenditures consist of investment expenditure, current expenditure on goods and services, and income and capital transfers.

a. Investment Expenditure

The investment expenditures by the public sector, their sectoral distribution and their rate of increase have been determined with a view to the structural changes and inter-regional balances foreseen in the Second Five Year Plan.

The investing agencies in the public sector are the General and Annexed Budget administrations, local governments, revolving funds, and the State Economic Enterprises. The General and Annexed Budget administrations will invest in infrastructure and the State Economic Enterprises and the revolving funds will invest in the production of goods and services. On the other hand, the local government investments will be directed to increasing and improving local services.

Public investments will be increasing, at an annual rate of 10.3 per cent, from TL 9 billion in 1967 to TL 14.7 billion in 1972, and their share in total public expenditure will be increasing from 38.6 per cent to 39.3 per cent.

b. **Current Expenditures**

Public current expenditures cover the current expenditures of the General and Annexed Budgets and those of local governments. During the Plan period the current expenditures of both the revolving funds institutions and the State Economic Enterprises will be carefully monitored because of the effect that these expenditures have on the resources created by these institutions.

Public current expenditures were determined by taking the 1967 level as the base, and they were increased in accordance with the increase in public services.

Public current expenditures estimated as 12.8 per cent of the gross national product in 1967 will reach 13.7 per cent in 1972, with an average annual increase of 8.5 per cent. In order to direct a larger part of public revenues into investments, public current expenditures should be reduced as much as possible. However, considering the need of the state to finance such services as education, health, security and other public services efficiently, these expenditures cannot be further reduced. Current expenditures are separated into "development current expenditures" and "other current expenditures." Among the development current expenditures 15 per cent of the increase will be in the agricultural extension services expenditures, 13 per cent in education and health current expenditures and 12 per cent in other development current expenditures.

Transfer expenditures cover only the transfers of the General and Annexed Budget administrations. In determining the transfer expenditures, the Plan takes into consideration the existing laws, internal and external debt payments (interest and principal), expropriation expenditures for investments, and capital transfers to the private sector.

The public sector expenditure targets are shown in Tables 4.7 and 4.8.

Table 4.7. Public Expenditure Targets (TL Billion in 1965 Prices)

	1967	1968	1969	1970	1971	1972	Annual Average % Increase
				(TL Billion)			
Public Expenditures	23.3	25.4	27.6	30.6	34.4	37.4	9.9
1. Public Current Expenditures	10.9	11.9	12.9	14.0	15.2	16.4	8.5
2. Public Investment Expenditures	9.0	9.9	10.9	12.2	13.9	14.7	10.3
3. Transfer Expenditures	3.4	3.6	3.8	4.4	5.3	6.3	13.1
				(As Per Cent of GNP)			
Public Expenditures	27.4	27.9	28.3	29.3	30.8	31.3	
1. Public Current Expenditures	12.8	13.1	13.2	13.4	13.6	13.7	
2. Public Investment Expenditures	10.6	10.9	11.2	11.7	12.4	12.3	
3. Transfer Expenditures	4.0	3.9	3.9	4.2	4.7	5.3	

Table 4.8. Transfer Expenditures (TL Billion in 1965 Prices)

	1967	1968	1969	1970	1971	1972
				(TL Billion)		
Income Transfers	1.8	1.9	2.0	2.1	2.1	2.2
Capital Transfers	1.6	1.7	1.8	2.3	3.2	4.1
Total	3.4	3.6	3.8	4.4	5.3	6.3
			(As % of Total Expenditures)			
Income Transfers	7.7	7.5	7.2	6.9	6.1	5.9
Capital Transfers	6.9	6.7	6.5	7.5	9.3	10.9
Total	14.6	14.2	13.8	14.4	15.4	16.8

(2) Public Revenue Targets

Public revenue targets in the Second Five Year Plan period, under the existing system and legislation, are shown in Table 4.9.

Table 4.9. Public Revenue Targets (TL Billion in 1965 Prices)

	1967	1968	1969	1970	1971	1972	Annual Average % Increase
				(TL Billion)			
1. Taxes Collected	14.9	15.8	17.3	18.9	20.7	22.8	9.0
Direct	4.5	4.5	5.0	5.5	6.1	6.7	8.3
Indirect	10.4	11.3	12.3	13.4	14.6	16.1	9.2
2. Revenues other than Taxes	1.3	1.3	1.3	1.4	1.4	1.5	2.8
3. Own Resources and Funds [1]	4.2	5.0	5.3	6.1	7.3	7.7	12.9
4. Counterpart Funds	1.9	1.9	2.0	2.0	1.9	1.7	-
5. Savings Bonds	0.7	0.8	0.9	1.0	1.1	1.2	11.4
6. Total Revenues	23.0	24.8	26.8	29.4	32.4	34.9	8.7
				(As Per Cent of GNP)			
1. Taxes Collected	17.5	17.3	17.8	18.1	18.5	19.1	
Direct	5.3	4.9	5.1	5.3	5.5	5.6	
Indirect	12.2	12.4	12.6	12.8	13.1	13.5	
2. Revenues other than Taxes	1.5	1.4	1.3	1.3	1.2	1.3	
3. Own Resources and Funds [1]	4.9	5.5	5.4	5.9	6.5	6.4	
4. Counterpart Funds	2.2	2.1	2.1	1.9	1.7	1.4	
5. Savings Bonds	0.8	0.9	0.9	0.9	1.0	1.0	
6. Total Revenues	27.0	27.2	27.5	28.1	29.0	29.2	

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[1] Resources and funds generated by local governments, revolving funds administrations and SEE's.

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a. Tax Revenues

Tax revenues cover only Central Government budget tax revenues. During the Second Five Year Plan period, the average annual increase in direct taxes will be 8.2 per cent, in indirect taxes 9.2 per cent, and total tax revenues will register an average increase of 9 per cent. In accordance with the existing regulations and tax system, the ratio of indirect taxes to total tax revenue will be 30.2 per cent in 1967 and will decrease to 29.3 per cent in 1972.

b. Revenues Other Than Taxes

This group of revenues covers normal revenues of the Central Government excluding taxes of the General Budget, certain special funds and the Annexed Budget revenues.

c. Own Resources and Funds

This group of revenues consists of local government revenues, incomes of establishments with revolving funds and the resources generated by the State Economic Enterprises.

Local government revenues are estimated on the assumption that no changes in the present system will take place during the Second Plan period. In case the revenues of these units surpass the estimates, measures will be taken to allow these administrations to carry out additional public services.

Revenues of the revolving funds administration consist only of the funds that can be directed into investment.

Resources to be generated by the State Economic Enterprises will rise from TL 1.9 million in 1967 to TL 4.6 million in 1972, increasing by an average rate of 19.3 per cent per annum. This increase takes into consideration the price adjustments made in 1967 and the changes to be made in the coverage of the social insurance system.

d. Counterpart Funds

As a result of the improvement expected in the balance of payments, these funds decrease during the Second Plan period.

e. Revenue from Savings Bonds

In calculating revenue from savings bonds the changes to be made in the system in 1967 and their revenue reducing effects were taken into account.

(3) Balance of the Public Sector

The balance of the public sector is shown in Table 4.10. The additional financial requirement will increase from TL 0.6 billion in 1968 to TL 2.5 billion in 1972.

Table 4.10. Public Sector Balance (TL Million in 1965 Prices)

	1967	1968	1969	1970	1971	1972
			(TL Million)			
1. Public Expenditures	23.3	25.4	27.6	30.6	34.4	37.4
2. Public Revenues	23.0	24.8	26.8	29.4	32.4	34.9
3. Additional Financing Requirement	0.3	0.6	0.8	1.2	2.0	2.5
			(As Per Cent of GNP)			
1. Public Expenditures	27.4	27.9	28.3	29.3	30.8	31.3
2. Public Revenues	27.0	27.2	27.5	28.1	29.0	29.2
3. Additional Financing Requirement	0.4	0.7	0.8	1.2	1.8	2.1

(4) How to Meet the Additional Financial Requirement

In meeting the additional financial requirement, the following measures will be taken.

a. Internal Borrowing

Long-term borrowing will be used in financing the planned expenditures and short-term borrowing will be used only to meet current cash needs. In short-term borrowing a policy compatible with economic conditions will be followed and Central Bank sources will be used to the extent that economic conditions permit.

b. Increasing the Taxation Efforts

Tax revenues are the major source for meeting the additional financial requirements. Therefore, for this purpose, necessary measures to increase tax revenues will be taken and potentially taxable sectors and fields will be taxed.

c. Increasing Other Receipts

The incomes of (i) local governments, (ii) Annexed Budget administrations, (iii) revolving fund administrations, and resources generated by the State Economic Enterprises will be increased.

4.5. Financing of the Private Sector

4.5.1. Developments and Problems

The investment and production activities of the private sector have been financed through their own resources and credits, which include project credits obtained through foreign borrowing. During the First Plan period, the shortage of long-term credits as well as the shortage of credits for working capital continued.

The activities of the industrial investment and credit banks did not meet the expectations of the First Plan. This was because as much as 200 per cent of the credit requested was asked as security in the form of fixed assets and that in certain cases the resources of the banks were limited.

4.5.2. Estimates and Targets for the Second Five Year Plan Period.

It has been estimated that the private sector will make TL 57.4 billion of investment during the/1968-1972 period. The financial requirements of the private sector will be met through the following sources: voluntary savings, funds to be allocated from external borrowing, and capital transfers from the public sector. (See Table 4.11.). As voluntary savings are not sufficient to finance the private investment foreseen in the Plan, resource transfers from the public to the private sector will be necessary after 1970. These funds will be allocated to profitable fields through mixed enterprises by the Private Sector Investment Bank to be established.

Table 4.11. Private Investment and Source of Finance (TL Billion in 1965 Prices)

	1967	1968	1969	1970	1971	1972	Per Cent Change in 5 Yrs	Per Cent Annual Change
Private Investment	7.9	8.9	10.1	11.4	12.7	14.3	81.0	12.6
Resources	7.9	8.9	10.1	11.4	12.7	14.3	81.0	12.6
Internal Savings	7.6	8.4	9.3	10.1	10.8	11.8	55.3	9.3
External Savings	0.6	0.7	0.8	0.9	1.0	1.0	66.7	9.1
Resource Transfers from Public Sector	-0.3	-0.2	-	0.4	0.9	1.5	-	-

4.6. Balance of Payments and Foreign Economic Relations

Imports and exports during the period 1962-1966 were close to the target levels and exports even surpassed the planned targets. The developments during the period in question have been described in Part I.

(1) Current Account

Imports have been estimated to increase from $835 million in 1968 to $1,115 million in 1972, so that they will be increasing by 7.4 per cent per annum, which is higher than the growth rate of GNP. It has also been expected that this rate of increase will slow down during the later years of the Plan period, owing to import substitution. Import substitution has been planned mostly in the artificial fertilizers, petro-chemical, metallurgical, and machinery industries. As for exports, it is estimated that they will increase 41.2 per cent in five years, or 7.2 per cent per annum. Although the share of agricultural goods in total exports will continue to be dominant, it is also estimated that as a result of the policy measures to be taken, and the establishment of export industries envisaged in the Plan, the share of industrial goods will increase from 17.8 per cent in 1967 to 27.3 per cent in 1972. Export projections are given in Tables 4.12, 4.13 and 4.14.

Table 4.12. Export Estimates (\$ Million)

	Agricultural Products	Mining & Quarry Products	Industrial Products	Total
1967	391.3	28.0	90.9	510.0
1968	409.0	31.0	100.0	540.0
1969	427.0	34.0	114.0	575.0
1970	445.0	37.0	133.0	615.0
1971	465.0	40.0	160.0	665.0
1972	480.9	42.2	196.9	720.0

Table 4.13. The Share of Major Commodity Groups in Total Exports (Per Cent)

	Agricultural Products	Mining & Quarry Products	Industrial Products	Total
1967	76.7	5.5	17.8	100.0
1968	75.7	5.8	18.6	100.0
1969	74.3	5.9	19.8	100.0
1970	72.4	6.0	21.6	100.0
1971	69.9	6.1	24.0	100.0
1972	66.8	5.9	27.3	100.0

Table 4.14. 1967-1972 Export Targets

($ Million)

	1967	1968	1969	1970	1971	1972
I. Agricultural, Animal Products	391.3	409.0	427.0	445.0	465.0	480.9
a. Cereals and Pulses	12.2	14.3	17.2	20.0	23.4	25.4
b. Fruits and Vegetables	109.1	115.3	120.5	126.5	133.4	138.5
c. Industrial Crops	225.9	232.3	240.7	247.0	255.8	262.0
d. Livestock Breeding, Animal Products	39.0	41.5	42.2	42.7	42.9	43.0
e. Sea Products	5.1	5.6	6.4	8.8	9.5	12.0
II. Mining and Quarry Products	28.0	31.0	34.0	37.0	40.0	42.2
III. Industrial Products	90.7	100.0	114.0	133.0	160.0	196.9
a. Food and Beverage Industry	44.3	45.0	43.0	45.0	44.0	41.4
b. Textile Industry	7.5	13.0	20.0	27.0	33.7	38.9
c. Wood Products Industry	1.1	1.4	2.0	2.9	4.3	5.6
d. Hides and Leather Industry	0.2	0.7	2.0	4.0	6.3	8.9
e. Chemical Industry	3.9	5.5	8.0	10.0	11.2	12.2
f. Cement Industry	-	-	-	-	1.5	2.8
g. Glass and Ceramics Industry	2.7	3.3	3.9	4.5	5.1	5.9
h. Non-Ferrous Metals Industry	22.2	21.0	22.0	22.0	30.8	53.4
i. Metal Products and Machinery Industry	2.0	2.5	4.5	7.5	10.5	13.7
j. Electrical Machinery and Electronics Industry	3.4	4.2	5.5	7.2	10.0	12.2
k. Others	3.4	3.4	3.1	2.9	2.6	1.9
TOTAL	510.0	540.0	575.0	615.0	665.0	720.0

a. Agricultural Goods

The increase in the exportation of agricultural goods will be obtained by promotional activities and by extensive use of fertilizers, irrigation, improved seeds and efforts to increase productivity.

b. Mining

The increases in exports of mining products are expected from mercury, magnesite and wolfram. (Export of wolfram will start in 1969.)

c. Manufactured Goods

The expected increase in manufactured goods will be coming mostly from textiles, wood products, chemicals, metallurgical (copper in particular) and metal products.

(2) Invisible Items

a. Tourism and Travel

The balance of tourism and travel which was negative throughout the First Plan period is expected to be an important source of foreign exchange receipts during the coming five years. The number of tourists will increase from 470,000 in 1967 to 1.5 million in 1972. Tourism receipts and expenditures are given in Table 4.15. The measures related to these estimates are given in the section on the "Tourism Sector."

Table 4.15. Tourism Receipts and Expenditures (\$ Million)

	Income	Expenditure	Difference
1967	25.0	31.0	6.0
1968	45.0	45.0	0.0
1969	55.0	50.0	5.0
1970	77.0	55.0	22.0
1971	110.0	60.0	50.0
1972	135.0	65.0	70.0

b. Workers' Remittances

Workers' remittances, which became an important foreign exchange source with the measures taken in 1964, are expected to rise from \$130 million in 1967 to \$170 million in 1972, or 30.8 per cent. The rate of increase is expected to slow down, however, during the Second Five Year Plan period.

c. **Foreign Debt Financing**

Foreign debt interest payments, which were $43 million in 1967, will rise to $66 million in 1972.

d. **Profit Transfers**

Profit transfers will increase parallel to the increase in private foreign capital inflows and will rise from $23 million in 1968 to $40 million in 1972.

e. **Other Invisibles**

The surplus of income over expenditure on such services as freight, ports, insurance services and commission charges will reach $25 million in 1972.

f. **Infrastructure and Off-shore Receipts**

These receipts will decrease during the Second Five Year Plan period, and fall to $10 million in 1972.

(3) **Capital Movements**

The foreign debt payments, which will be around $100 million at the beginning of the Second Five Year Plan period, will fall to $78 million towards end of the period, in spite of the new financial assistance to be obtained.

It is estimated that the inflow of private foreign capital will increase to $55 million in 1972.

4.7. The Dependence of the Turkish Economy on Foreign Resources

The long-term objective of the Plan is to achieve a structural change and bring economic capacity to such a level that no foreign aid will be needed.

Domestic savings will reach the desired level after the Second Five Year Plan period and the situation in the balance of payments will be improved to the point where credits will be obtainable on current interest and payment conditions existing in the world money and credit market. The policies and the aims of the Second Five Year Plan have been determined in order to achieve this objective. The projections show that, starting from 1975, Turkey will not need any foreign assistance other than the loans to be obtained from the international market.

This objective to relieve the dependence of the economy on foreign resources can only be attained by realizing the targets of the Second Plan and by obtaining all of the foreign assistances expected in this period.

Table 4.16. Balance of Payments Projections

($ Million)

	1967	1968	1969	1970	1971	1972	% Change Five Years	% Change Annual
I. CURRENT ACCOUNT DEFICIT	-184	-197	-216	-235	-224	-226	-22.8	4.2
A. Trade Balance	-270	-295	-325	-360	-375	-395	46.3	7.9
1. Imports	-780	-835	-900	-975	-1,040	-1,115	42.9	7.4
2. Exports	510	540	575	615	665	720	41.2	7.2
B. Balance of Invisibles	66	83	94	115	141	159	140.9	19.2
1. Interest Payments	- 43	- 49	- 51	- 55	- 61	- 66	53.5	5.9
2. Tourism and Travel	- 6	0	5	22	50	70	1,300.0	-
3. Profit Transfers	- 20	- 23	- 27	- 31	- 35	- 40	100.0	14.9
4. Workers' Remittances	130	140	150	160	165	170	30.8	5.5
5. Others	5	15	17	19	22	25	500.0	-
C. NATO Off-Shore	20	15	15	10	10	10	50.0	-
II. CAPITAL MOVEMENTS	184	197	216	235	224	226	22.8	4.2
1. Debt Repayments	-105	-102	-101	- 93	- 99	- 78	74.3	
2. Private Foreign Capital	35	40	43	47	51	55	57.1	9.5
3. Imports With Waiver	10	12	14	16	18	20	100.0	14.9
4. Foreign Financing Requirement	244	277	290	295	279	259	- 6.1	-
III. RESERVE MOVEMENTS	-	- 30	- 30	- 30	- 30	- 30	-	-
IV. SHORT-TERM IMPORT EXPORT CREDITS	-	-	-	-	-	-	-	-
V. NET ERRORS AND OMISSIONS	-	-	-	-	-	-	-	-

During the Second Five Year Plan period, the foreign financing requirement of the Turkish economy will decrease in both absolute and relative terms. The foreign financing requirement, which was $247 million in 1968, will be reduced to $229 million in 1972, and the ratio of foreign financing to the gross national product will fall from 2.4 per cent to 1.7 per cent.

V. PRINCIPLES AND POLICIES OF THE SECOND FIVE YEAR PLAN

The principles, policies and measures summarized below will be adopted in a flexible way according to the developments in the economy and in view of the prevailing conditions; and if need be, new policies will be adopted in the Annual Programmes.

5.1. Policy of Mixed Economy

5.1.1. Principles

(1) The aims of the mixed economy system will be used as a tool to accelerate economic development by a better allocation of resources among economic and social activities. The system will also be a tool to secure balanced and equal development opportunities in reaching a higher nation-wide level of welfare.

(2) The Second Plan will be imperative for the public sector, and indicative for the private sector.

(3) The rules of the mixed economy system will be clearly defined and the drawbacks of the existing system will be quickly removed.

5.1.2. The Rules of the Mixed Economy

(1) The static and the dynamic efficiencies in the economy will be achieved mainly through the market mechanism. In other words, the basis for economic decisions will be the free market prices.

(2) In the fields where both the public and private sectors carry out productive activities they will be given the same treatment.

(3) The state will secure price stability and minimize the inefficiencies of the price mechanism through indirect means, such as taxes, credits, money and foreign trade policies; it will also prevent the emergence of monopolistic powers and will not permit the exploitation of the consumer.

(4) The state will particularly undertake infrastructural investments which accelerate the overall development and will direct social investments towards community welfare, such as education and health.

(5) The policies to be adopted in the Second Five Year Plan period will enable the private sector to take over the development of the manufacturing industry of Turkey in the long run. The public sector will complete the works started and will utilize the existing productive capacities more efficiently. Moreover, the public sector will participate in those fields of industry which the private sector cannot enter in spite of the incentives. In these new fields mixed enterprises will be preferred in order to increase the contribution of the private sector to the development process.

5.2. Savings Policy

In order to encourage voluntary savings, to keep consumption within the limits foreseen by the Plan, and to increase public savings, tax and price policies will be used. While public revenues are increased, public consumption will be kept within certain limits. Luxury goods will be taxed progressively according to the types of the goods, so that demand for them could be reduced.

Productive capacities which might encourage consumption will not be created by the public sector and any tendency in the private sector in this direction will be discouraged.

For the purpose of increasing voluntary savings the existing financial institutions will be reorganized so that they will be able to work more efficiently, and if necessary new institutions will be created.

In order to create the funds required by economic development, taxation and price policies will be used in such a way that a better distribution of income and an equitable distribution of the tax burden among income groups will be ensured.

In order to raise the level of total savings and to prevent shortage of resources, the expansion of bureaucracy will be stopped; certain services will be provided at the minimum cost possible; the unnecessary expansion of services will not be permitted; and current expenditure of the public sector will be determined and allocated on the basis of clearly definable criteria.

Private savings will be encouraged to go into more profitable investments as well as to the underdeveloped regions through selective tax and credit policies.

By the inclusion of artisans in the social security scheme, resources of the public sector will be increased so that more support will be given to small-scale industry.

5.3. Capital Market

The establishment of the capital market will play an important role in channeling voluntary savings into the fields of investment which are encouraged by the Second Five Year Plan so that the expected contribution of the private sector to total investment can be materialized.

In order to develop a capital market, financial and legal measures will be taken to encourage voluntary savings. The market will be kept under effective control and necessary arrangements will be made to increase the public's familiarity with and confidence in buying and selling bonds and shares in the market.

The bill encouraging the establishment of joint stock companies open to the public will be enacted.

Interest rates will be revised with a view to their effects on the capital market and the necessary measures will be taken to prevent the enterprises from meeting their long-term credit needs from the unorganized money market.

5.4. Tax Policy

5.4.1. Principles

The aims of the tax policy will be to channel savings into profitable fields of investment and to help finance the Second Five Year Plan without causing price instability and in conformity with the economic and social targets of the Plan. The principles of the tax policy are summarized below.

(1) Planned expenditures will be financed from real resources: Taxation will be the main tool in financing investment expenditures, current expenditures and transfers from non-inflationary sources. In addition to the measures to increase the efficiency of the existing taxation system new sources of taxes will be sought. Flexibility will be introduced into the system so as to prevent frequent legal changes in the tax system.

The aim of taxation is to raise the savings-GNP ratio. Therefore, when taxation is used for this purpose, care will be taken not to discourage investment and saving propensities.

(2) Social justice will be secured: Another aim of the tax policy is to have a more equitable income distribution among individuals. The existing system does not distribute the tax burden among the taxpayers and sectors according to the principles of social justice. Therefore, the tax policy to be

developed during the coming five years will place necessary emphasis on the principles of generality, progressiveness and discrimination of the tax system. For this purpose, the exemptions and exceptions of the existing tax system will be minimized, and the percentage share of direct taxation in total tax receipts will be increased.

(3) A more efficient allocation of resources will be aimed at: The tax policy to be adopted will help allocate resources among the planned uses by affecting the profitability of productive activities. The existing tax system will be revised to enable it to allocate the investible funds to the most profitable fields. The new system will also facilitate the shifting of savings to export and import substituting industries.

5.4.2. Main Features of the Tax Reform

In view of the three principles outlined above, and in order to increase savings and allocate resources more efficiently, tax reform is inevitable. For this purpose, three groups of measures have been postulated in the Plan in order to remove the drawbacks of the existing taxation system.

(1) Tax administration will be improved, tax courts will be reorganized, and new taxable sources will be created. The new sources will be generated through the following measures:

a. Conducting a new census which will increase the efficiency of land and real estate taxes and the revision of the existing taxes,

b. Taxation of luxury consumer goods which were not taxed previously,

c. Revision of the coverage of production taxes,

d. Imposition of taxes on highway transportation to meet the maintenance and repair expenses,

e. Augmentation of agricultural taxes in proportion to increases in farmers' incomes.

(2) Bearing in mind the role of the tax system in securing social justice, the shortcomings of the existing system will be remedied. The size of the low-income brackets in the income tax schedule will be enlarged, the minimum subsistence allowance will be treated as a tax exemption, and the income tax burden of low income groups will be lightened. Income taxes paid by higher income brackets will be increased by reducing the number of these brackets, but in securing this increase care will be taken not to reduce the propensity to save and invest.

From the equity point of view, tax exemptions contrary to the discrimination principles will be abolished. In this manner, income tax revenues will be increased. The structure of indirect taxes will also be revised with the aim of securing the social justice principles. In seeking new sources from which to finance the Plan, emphasis will be placed on direct taxes.

(3) By means of the new tax policy to be adopted, the following points will be assured: The tax system will contain those elements which make it possible to achieve an efficient allocation of resources. Resources will be channeled to those investment fields which are encouraged by the Plan, rather than to consumption. For these purposes:

a. Import duties and production taxes will be revised; in particular, those taxes increasing the cost of industrial products will be modified.

b. Preparations will be started to put into effect value-added taxes, which will replace the present production taxes.

c. The incentive measures of the system will be revised to channel investments toward the fields favorable for exports and to the branches of industry which can compete in foreign markets.

d. New incentive measures will be taken to divert investments into the fields which will ensure inter-regional balance.

5.5. Price Policy

(1) Price stability will be preserved in order to prevent the waste of scarce resources and to avoid injustices in the distribution of income between regions and individuals.

(2) In addition to the measures brought about by the planning process with respect to the most efficient allocation of resources, the price determination of prices by the free market will not be interferred with unless necessary.

5.6. Monetary Policy

(1) In implementing monetary policy, coordination between the State Planning Organization, Ministry of Finance and Central Bank will be secured by the Council of Money and Credit composed of representatives of the aforementioned institutions.

(2) In order to implement monetary policy effectively and flexibly according to the principles adopted by the Plan, the law establishing the Central

Bank, which was passed in 1930, will be modified with a view to present conditions. The relationships between the Central Bank, the Treasury, and the other banks will be reorganized according to contemporary economic and financial concepts.

(3) In order to increase the efficiency and the flexibility of monetary policy through open market operations, the following procedure will be adopted in increasing the money supply: The Treasury, instead of taking short-term advances from the Central Bank, will itself issue short-term bonds and sell them to the banks which can in turn sell them to the Central Bank.

(4) Measures will be taken to utilize goverment deposits as an instrument of monetary policy.

(5) A flow-of-funds accounting system will be established by the Central Bank.

5.7. Credit Policy

5.7.1. Principles

(1) Credit will be directed towards those sectors whose development is given priority by the Plan. Interest rates and the terms of credits will be distinguished according to type of need.

5.7.2. Policies

(1) For the purpose of increasing the resources of the banks, the following measures will be taken: (a) mobilization of idle savings and improvement of the payment system by expanded use of checks; (b) employment of banks for tax collections; and (c) creation of easier conditions for banks to obtain long-term funds through issuing bonds.

(2) Interest and discount rates will be used as a tool to ensure the distribution of credit according to the planned targets.

(3) The credit market will be adequately reorganized, close relations between the Central Bank and the banking system will be established, and certain preventive measures will be taken to check the enlargement of the unorganized credit market.

(4) A deposit insurance system will be established.

(5) The Central Bank will pursue a policy which will encourage the creation of medium-term credit in the banking system.

5.8. Policies to Encourage Private Enterprise

5.8.1. Principles

(1) Private sector investments will be encouraged within the framework of the economic and social principles of the Plan.

(2) Existing measures to encourage the private sector will be coordinated, formalities will be simplified and a quick and open mechanism of implementation will be established.

5.8.2. Measures:

(1) Credit Measures

a. The banking system will be reorganized to meet the short-term and medium-term credit requirements of the private sector.

b. A selective credit policy will be adopted to encourage industry.

c. A Private Sector Investment Bank will also be established to offer credit to private industry.

d. Activities of the banks providing investment credits for institutions in regions other than Istanbul will be encouraged.

e. Project credits will be used to meet the foreign exchange requirements of the private sector's investments.

(2) Financial Incentive Measures

a. The application of the incentive measures included in the fiscal regulations in the First Five Year Plan period will be continued after removing the existing shortcomings.

b. In order to obtain better results from incentive measures, bureaucratic formalities will be minimized.

c. Possibilities will be sought to design a special programme for the underdeveloped regions.

5.9. Balance of Payments and Foreign Trade Policy

5.9.1. Principles

(1) Export-oriented projects will be given priority in the allocation of investment resources.

(2) Emphasis will be placed on import substitution in economically feasible fields, particularly in those fields which are dependent on indigenous natural resources.

(3) In order to finance import requirements and foreign debt and interest payments, a certain amont of development credits are needed during the Second Five Year Plan period. Preference will be given to the development credits with low interest rates and long grace periods.

(4) Private foreign capital will be considered as a source of additional savings, foreign exchange and new technology. Special attention will be paid to authorizing foreign capital to enter those branches of industry which Turkish entrepreneurs cannot undertake due to their lack of technical knowledge, experience, and capital.

5.9.2. Measures

(1) Exports

a. In order to raise foreign exchange receipts to the envisaged level, the existing structure of exports will be changed so as to increase the percentage share of manufactures in total exports. For this purpose, the establishment of export-oriented industries will be encouraged and given priority. On the other hand, in the choice of projects, and especially in the choice of technology, the cost structure, the competiveness at world prices, and the quality of the products will be taken into account.

b. New markets for traditional export goods will be studied.

c. In order to increase the demand for Turkish products in foreign markets, standardization and quality control will be emphasized.

(2) Imports

a. The scarcity of foreign exchange requires the continuation of the import quotas and liberalized list system.

b. For the protection of newly established and developing branches of industry, imports of the goods in question will be limited over a specified period of time. However, this protection will not be extended to the branches of industry which are not likely to become competitive in the future.

c. In order to prevent increases in the cost of industrial products, the price and the quality of imported raw materials and auxiliary goods will be controlled.

(3) Invisible Items

a. The Turkish workers' savings in foreign countries will be encouraged. Necessary measures will be taken in order that workers bring or send a greater portion of their savings to Turkey in the form of free foreign exchange.

b. Measures with respect to increasing tourism receipts are considered in the relevant sections.

(4) Foreign Exchange Reserves

a. Because fluctuations in foreign exchange receipts and the resulting uncertainties cause instability in imports, and hence in the level of investment, in the level of production of goods produced from imported raw materials, in prices, and in the economy at large, a sufficient amount of foreign exchange will be kept available.

b. Reserves will be increased to 20 per cent of total imports in the last year of the Plan period.

(5) Foreign Borrowing

a. The realization of the investment and the development targets is subject to obtaining the projected amount of foreign credits. The type of the credits is related, in the long run, to the viability of the Turkish economy. Therefore, the developmental type of credits will be preferred.

b. Because project credits cause delays in the realization of investment projects, programme credits will be preferred in meeting the foreign aid requirement.

c. In case of need for project credits, all measures will be taken to avoid delays in obtaining and using these credits.

(6) International Institutions and Economic Integration

a. During the Second Five Year Plan period, relations with foreign countries, international institutions and associations with which there is a partnership relationship will be continued. Such ties will be increased and strengthened in accordance with the Plan targets and the national benefits.

b. During the Second Plan period, the agreement between Turkey and the EEC will be gaining great importance. According to this agreement, the shortest "Preparatory Period" ends in 1969. In view of the European Economic Community's decision on removing the barriers against industrial products entering the single market price regime, and the decision on including the agricultural products in the common regime, Turkey has to increase her efforts to strengthen her economy during the preparatory period.

The preparatory work which had been started in various fields to strengthen the economy should be carefully analyzed and strong measures should be taken in conformity with the objectives of development. For this purpose, the preparatory and research work carried out by various institutions will be coordinated under the auspices of the State Planning Organization.

c. The possibilities of finding markets for various industrial products within the framework of the RCD (Regional Cooperation for Development) established between Turkey, Pakistan and Iran, and increasing foreign trade with the other two partners will be emphasized.

d. It is expected that exports will reach a high level during the Second Plan period. Although more emphasis will be placed on exports to free trade areas in accordance with foreign exchange needs, relationships with bilateral countries will also be continued.

e. The ties with the OECD, the IMF, and other institutions will be continued and especially the support required for the balance of payments will be obtained from these institutions.

PART THREE

SECTOR PROGRAMMES

VI. GENERAL REVIEW OF THE SECTOR PROGRAMMES

6.1. Sectoral Growth Rates

The growth rates of the main sectors during the Second Five Year Plan period and the actual developments during the First Five Year Plan period are given in Table 6.1.

Table 6.1. Rate of Increase in Gross Value Added at Market Prices by Broad Sectors

(In 1965 Market Prices. TL. Million)

Sector	Value Added (TL Million) 1962	1967	1972	1967 Index 1962 = 100	Annual Growth Rate (%) 1962-67	1972 Index 1967 = 100	Annual Growth Rate (%) 1967-72
1. Agriculture	22.5	25.9	31.8	115.1	3.0	122.8	4.2
2. Industry	14.1	21.6	36.6	153.2	8.9	169.4	11.1
3. Construction	3.1	4.5	6.5	145.2	7.8	144.4	7.6
4. Transportation	4.4	6.3	8.9	143.2	7.4	141.3	7.2
5. Housing	2.6	3.8	5.1	146.2	7.9	134.2	6.1
6. Others	15.5	22.4	29.8	144.5	7.6	133.0	5.0
Gross Domestic Product at Market Prices	62.2	84.5	118.7	135.9	6.3	140.5	7.1
Net Income from Abroad	-0.3	0.6	0.7	300.0	24.6	116.7	3.5
Gross National Product	61.9	85.1	119.4	137.5	6.6	140.3	7.0

The leading sector of the economy in the period 1968-1972 will be the industrial sector, with a growth rate of 11.1 per cent per annum.

The composition of planned development in industry is shown in Table 6.2.

Table 6.2. Composition of Gross Output and Gross Value Added in Industry

(In 1965 Market Prices. TL. Million)

	Gross Output (1) (TL Million) 1967	1972	Annual Increase %	Gross (2) Value Added (TL Million) 1967	1972	Annual Increase %
Manufacturing	49,404	80,355	10.2	19,270	32,500	11.1
Mining	1,830	3,124	11.3	1,400	2,350	10.9
Energy	1,722	3,193	13.2	930	1,750	13.6
Electricity	1,320	2,500	13.6	800	1,540	14.0
Coke & Gas	402	693	11.5	130	210	10.5

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(1) In 1965 Producers' Prices

(2) Including indirect taxes and depreciation

Energy production has to grow at a rate of 13.2 per cent per annum to meet the demand created by rapid industrialization and urbanization. The rapid growth anticipated for mining depends on the exploitation of investment opportunities which were not fully exploited during the First Five Year Plan period.

Of the total increase of TL 34.3 billion in GNP, 38.6 per cent will be contributed by the manufacturing industry. Special emphasis has been placed on the intermediate and investment goods producing sub-branches of manufacturing.

The growth rate of agriculture, planned as 4.2 per cent per annum, depends on a major increase in productivity. The developments achieved in fertilizer and improved seed use in recent years and the increasing irrigation possibilities are indications of technological progress in agriculture.

The structural changes in the First and Second Five Year Plan period are shown in Table 6.3.

Table 6.3. Percentage Shares of Sectors in GNP(1)

	1962	1967	1972
1. Agriculture	36.4	30.4	26.6
2. Industry	22.8	25.5	30.7
3. Construction	5.0	5.3	5.4
4. Transportation	7.1	7.4	7.5
5. Housing	4.2	4.5	4.3
6. Others	25.0	26.3	24.9
7. Net Income from the Rest of the World	-0.5	0.7	0.6
Total	100.0	100.0	100.0

(1) At market prices

As the tables show, the share of agriculture becomes smaller and that of industry bigger, from which it can be deduced that more stable development less dependent on weather conditions will be possible in the near future.

6.2. Distribution of Investment

A 7 per cent annual increase in GNP requires a total investment of TL 111.5 billion (excluding stocks) in five years. The distribution among sectors is given in Table 6.4.

Table 6.4. Distribution of Investment by Sector
(In 1965 prices - TL Million)

	1963-1967				1968-1972	
	Public (TL Million)	Private (TL Million)	Total	Total %	Total (TL Million)	Total %
Agriculture	6,548	3,466	10,014	15.4	16,900	15.2
Mining	2,131	745	2,876	4.4	4,100	3.7
Manufacturing	4,948	7,773	12,721	19.6	25,000	22.4
Energy	4,445	263	4,708	7.3	8,900	8.0
Transportation	7,391	2,238	9,629	14.8	18,000	16.1
Housing	1,042	12,342	13,384	20.6	20,000	17.9
Education	4,210	64	4,274	6.6	7,500	6.7
Health	1,129	57	1,186	1.8	2,000	1.8
Tourism	617	631	1,248	1.9	2,600	2.3
Other Services	3,851	1,102	4,953	7.6	6,100	5.5
Development Fund	-	-	-	-	400	0.4
TOTAL	36,312	28,681	64,993	100.0	111,500	100.0

Comparison of the First and Second Plan periods shows a big increase in total investment and significant changes in relative distribution of investment in the Second Five Year Plan period. As the Table implies, investments in manufacturing industry, which has been planned as the leading sector of the economy in the long run, have been given priority, and therefore the total investment programmed for this sector reaches a level almost twice as big as that actually made in the First Plan period.

Among the investments in manufacturing industry, chemicals, fertilizers, iron and steel and metallurgy, paper, petroleum products, cement and rubber, which are mostly intermediate goods producing industries, have been given the top priority. Investments in these industries are import substituting type of investments which constitute the necessary basis for the long-term industrialization process.

Second priority has been given to the machinery and equipment producing industries. It is expected that these industries will gain top priority in the Third Five Year Plan period.

The other top priority sectors are the industries with export potential. Therefore, it is estimated that increases in output and developments in the composition of output will play an important role in the changes of the export structure.

In order to attain more rapid industrialization the adoption of the technological progress recorded in the more advanced countries by adapting it to Turkish conditions should be taken up systematically during the Plan period. This requires the development of applied industrial research and project and engineering services. Therefore, it has been foreseen in the Plan that technological and managerial research will be supported from public resources and a "Development Fund" of TL 400 million has been planned.

The investment allocated to agriculture is not very different percentagewise from the First Plan. Of the total investment in agriculture 53 per cent will be spent on water resource development projects and 21.5 per cent on machinery and equipment. With the programmed investment in irrigation an additional 400,000 hectares will be irrigated.

Investment in animal husbandry consists of investments in disease eradication and livestock improvement, and the investment in forestry consists of forest roads and reforestation.

Investment in energy has been determined with a view to rapid industrialization and urbanization.

The share of investment in transportation increases from 14.8 per cent to 16.1 per cent, 67.6 per cent of which will be absorbed by road transportation.

The share of housing investment in total investment decreases from 20.6 per cent to 17.9 per cent. This requires strong measures because of the attractiveness of investment in housing. In order to meet the demand for housing an investment of TL 20 billion over the five-year period has been allocated to this sector, with which a maximum number of housing units should be created.

Investment in education includes the primary school programme, which aims at providing schools for all children of primary school age by 1972. It is estimated that there will be a shortage of skilled manpower and therefore on-the-job training has been emphasized, particularly in industry. The total investment in education has been estimated to be TL 7.5 billion in five years.

TL 2 billion of TL 2.6 billion to be invested in the tourism sector will be allocated to accommodation facilities.

6.3. **Physical Targets**

A list of selected physical output targets is given in Table 6.5.

Table 6.5. Selected Physical Output Targets

Commodity	Unit	1962	1967	Index 1962 = 100	1972	Index 1967 = 100
1. Agriculture						
Wheat	1,000 Tons	7,395	7,935	107.3	9,200	115.9
Cotton (Fibre)	"	245	362	147.8	455	125.7
Sunflower	"	60	315	525.0	452	143.5
Corn	"	700	930	132.9	1,760	189.2
Meat	"	480	544	113.3	705	130.3
Milk	"	2,823	3,234	114.6	4,040	125.0
Fish	"	115	155	134.8	240	154.7
Firewood	1,000 m^3	3,155	4,495	142.5	7,185	159.8
Reforestation	1,000 Ha	22	33	150.0	50	151.5
New Irrigation	"	53	82	153.8	127	155.5
2. Mining						
Copper (Ore)	1,000 Tons	769	1,270	165.1	4,070	320.4
Iron	"	813	1,800	221.4	3,200	177.8
Chrome	"	527	525	99.6	610	116.1
Bituminous Coal	"	3,893	5,000	128.4	6,250	125.0
Lignite	"	2,979	5,600	188.0	8,500	131.8
Crude Oil	"	595	2,400	403.4	6,000	250.0
3. Energy						
Electricity	Mil. Kwh	3,559	6,250	175.6	11,850	190.0
4. Manufacturing						
Sugar	1,000 Tons	390	620	159.0	860	138.7
Vegetable Oil	"	214	380	177.6	590	155.3
Animal Feed	"	17	77	452.9	151	196.1
Cotton Textiles	Mil. Mt.	530	730	137.7	1,090	149.3
Woolen Textiles	"	21	235	111.4	285	121.2
Timber	1,000 M^3	1,426	1,900	133.2	2,850	150.0
Kraft Paper	1,000 Tons	-	-	-	60	-
Paper	"	104	122	117.3	308	252.5
Soda Ash	"	-	-	-	85	-
Caustic Soda	"	-	-	-	46	-

Table 6.5. (continued)

Commodity	Unit	1962	1967	Index 1962 = 100	1972	Index 1967 = 100
4. Manufacturing (continued)						
Sulphuric Acid	1,000 Tons	23	50	219.3	1,000	2000.0
Nitrogenous Fertilizers	"	104	160	153.6	1,500	938.0
Phosphate Fertilizers	"	60	250	413.7	2,430	972.0
Artificial Fibre	"	1.3	1.7	128.7	11.5	676.0
Synthetic Fibre	"	-	2.7	-	18.5	685.0
Polivynil Chloride	"	-	-	-	27	-
Cement	"	2,323	4,400	189.4	9,670	219.7
Steel (Ingot)	"	279	980	351.3	1,650	168.3
Blister Copper	"	26	29	111.5	58	200.0
Alumina	"	-	-	-	125	-
Aluminium	"	-	-	-	25	-
Steel Construction	"	4	12	300.0	26	216.7
Tractors	Num.	2,574	8,000	310.8	15,000	187.5
Harvesters	"	-	50	-	600	1200.0
Electric Motors:						
0-2 HP	"	5,000	160,400	-	246,800	153.8
2-10 HP	"	500	6,800	1360.0	13,300	195.6
Trucks and Busses	"	3,850	9,500	265.4	15,900	167.4
Automobiles	"	870	6,000	689.7	16,500	275.0

VII. AGRICULTURE

7.1. Principles

(1) Development programmes will be designed to minimize the effects of weather conditions on agricultural output.

(2) Agricultural production will be increased to meet total demand.

(3) Agricultural structure will be reorganized to attain a rapid and balanced growth in the long run.

(4) Agricultural policy will be designed to increase the availability of animal products so that the public will be supplied with a more balanced diet.

(5) Every effort will be made to increase employment opportunities in agriculture and to reduce disguised unemployment by attracting excess workers to the industrial sector.

(6) Agricultural technology will be modernized and productivity will be increased.

(7) The conservation of agricultural resources and their rational utilization will be emphasized.

(8) In order to prevent the emergence of inflationary pressures, increases in agricultural output must coincide with the expected increase in demand for agricultural products.

7.2. Demand and Production

In order to meet the increase in demand for food due to the increase in population and income, value added in agriculture has to increase 23 per cent over five years.

The domestic demand for food has been estimated by taking into account the daily caloric intake, the need for improvement of the diet and the income elasticity of demand. These estimates were then compared with international data.

In estimating production, technological progress was emphasized and thus increased productivity has been taken as a target.

It is estimated that meat supply will be less than demand during the coming five years. Therefore, it is also anticipated that equilibrium between supply and demand will be established through deliberate changes in prices.

Although, at the present time, the supply of cereals and oil seeds is also short of demand, the realization of the anticipated technological developments will make domestic production sufficient to meet the demand for these goods toward the end of the Plan period.

The demand for and the production of forest products were estimated on the basis of the type of use, namely final use such as firewood, intermediate use such as the raw material for paper, and investment goods such as pit props and telephone poles.

The demand for and the production of selected agricultural products (including fish and forest products) are given in Tables 7.1 and 7.2.

Table 7.1. Domestic Physical Demand Projections for Selected Commodities

Commodities	Unit	1967	1972	Index 1967=100	Annual Increase %
Wheat	1,000 T	6,135	6,958	113.4	2.5
Rice (paddy)	1,000 T	220	294	133.6	6.0
Corn	1,000 T	371	389	104.8	1.0
Pulses	1,000 T	313	374	119.5	3.6
Potatoes	1,000 T	1,093	1,334	122.1	4.0
Citrus	1,000 T	353	475	134.6	6.1
Apples	1,000 T	267	330	123.6	4.3
Pears	1,000 T	115	140	121.7	4.0
Peaches	1,000 T	72	124	172.2	11.5
Vegetables	1,000 T	2,970	4,050	136.4	6.4
Meat	1,000 T	521	674	129.4	5.3
Milk	1,000 T	3,234	4,040	124.9	4.5
Fish	1,000 T	116	170	146.5	7.9
Logs	1,000 M^3	3,599	6,164		
Pit Props	1,000 M^3	406	400		
Telephone Poles	1,000 M^3	51	40		
Industrial Wood	1,000 M^3	526	545		
Firewood	1,000 T	8,000	8,000		
Resin	1,000 T	3	4.5		

Table 7.2. Physical Output Projections for Selected Commodities

Commodities	Unit	1967	1972	Index 1967=100	Annual Increase %
Wheat	1,000 T	7,935	9,200	115.9	3.0
Barley	1,000 T	3,350	4,340	129.6	5.3
Corn	1,000 T	930	1,760	189.2	13.6
Cotton	1,000 T	362	455	125.7	4.7
Sugar Beets	1,000 T	4,000	5,500	137.5	6.6
Tobacco	1,000 T	130	160	123.1	4.1
Sunflower	1,000 T	315	452	143.5	7.5
Cotton Seed	1,000 T	586	738	125.9	4.7
Potatoes	1,000 T	1,862	2,230	119.7	3.7
Oranges	1,000 T	312	418	133.9	6.0
Lemons	1,000 T	70	91	130.0	5.4
Tangerines	1,000 T	50	86	172.0	11.5
Apples	1,000 T	325	405	124.6	4.5
Pears	1,000 T	140	170	121.4	4.0
Peaches	1,000 T	85	140	164.7	10.5
Grapes	1,000 T	3,180	3,600	113.2	2.5
Olives	1,000 T	510	800	156.8	9.4
Hazelnuts	1,000 T	90	100	111.1	2.1
Vegetables	1,000 T	4,000	5,250	131.2	5.6
Meat	1,000 T	544	709	130.3	5.4
Milk	1,000 T	3,234	4,040	124.9	4.5
Fish	1,000 T	155	240	154.8	9.1
Logs	1,000 M^3	3,608	6,200		
Pit Props	1,000 M^3	406	400		
Telephone Poles	1,000 M^3	51	40		
Industrial Wood	1,000 M^3	430	545		
Firewood	1,000 T	8,000	8,000		
Resin	1,000 T	3	75		

7.3. Investment

Total investment in agriculture is given in Table 7.3. Of total investment 53 per cent will be composed of land and water resource development. Large-scale irrigation projects comprise 50 per cent of total investment in agriculture.

Of total investment in agricultural machinery and equipment, 95 per cent is expected to be made by farmers. Among the investments by the public sector, agricultural research and extension services will have an important share. Investment in animal husbandry is included in land improvement, agricultural buildings and public investment. Investment in breeding animals consists of the imported high quality breeding stock.

Of total investment in forestry, 47 per cent is of the productive type and 45 per cent consists of maintenance, reforestation and land conservation. Investments in forest roads and management which are considered as productive investment have been given top priority.

Table 7.3. Total Agricultural Investment Estimates -- 1965 Prices (Mil. TL)

	1968-1972 Mil. TL
1. Land and water resource development	9,186
2. Machinery and equipment	3,625
3. Research, extension and other public services	815
4. Agricultural buildings and marketing facilities	575
5. Seeds, nurseries and orchards, etc.	300
6. Breeding stock (to be imported)	42
7. Forestry	1,661
8. Fisheries	517
9. Others	179
TOTAL	16,900

In order to attain the targets for crop production an additional 392.000 hectares of land will be irrigated. The structure of the irrigation programme is given in Table 7.4.

Table 7.4. Structure of Irrigation Programme

	1967		1972	
Crops	Irrigated land (1,000 hectares)	Per Cent	Irrigated land (1,000 hectares)	Per Cent
Cereals	372	24.3	491	25.3
Wheat	200	12.9	265	13.6
Rice	57	3.7	66	3.4
Corn	75	4.8	100	5.2
Others	40	2.6	60	3.1
Pulses, feed	100	6.5	140	7.2
Industrial crops	660	42.6	830	42.8
Cotton	400	25.8	450	23.2
Sugar beets	110	7.1	150	7.7
Sunflowers	70	4.5	120	6.2
Others	180	5.2	110	5.7
Fruits	177	11.4	225	11.6
Citrus fruits	37	2.4	45	2.3
Others	140	9.0	180	9.3
Vegetables	240	15.5	255	13.1
Total	1,549	100.0	1,941	100.0

By the end of the period the ratio of irrigated land to total cultivated land will increase from 6.6 per cent to 8.2 per cent.

7.4. Land Use

In estimating production it was assumed that total agricultural land cannot be increased, but that area sown will be increased. Table 7.5. gives the projected land use pattern. As the Table shows, fallow land will decrease by 10 per cent. The total cultivated agricultural land area shown in the Table is 10 per cent less than shown by the official statistics. This is because the official wheat production estimates are 10-15 per cent higher than reality owing to an overestimation of the cultivated land area.

Table 7.5. Land Use

	1967		1972	
	1,000 Ha.	Per Cent	1,000 Ha.	Per Cent
1. Agricultural land	23,539	30.15	23,545	30.16
a. Cultivated land	21,200	27.15	21,140	27.08
(1) Fallow	7,030	9.00	6,311	8.08
(2) Area sown	14,170	18.15	19,829	19.00
b. Vineyards and orchards	2,339	3.00	2,405	3.08
2. Pasture and meadows	30,839	39.51	30,839	39.51
3. Forest	10,584	13.56	10,584	13.56
4. Wasteland	13,096	16.78	13,090	16.77
Total geographic area	78,058	100.00	78,058	100.00

7.5. Value Added

The value of gross output and value added by sub-branches of agriculture are given in Tables 7.4 and 7.5.

Table 7.6. Gross Agricultural Output and Percentage Distribution In 1965 Prices (Million TL)

Sub-branches	1967		1972		Index 1967=100	Annual Increase
	Mil. TL	Per Cent	Mil. TL	Per Cent		
Crops	25,211	64.7	31,301	64.0	124.17	4.4
Livestock	11,794	30.3	14,886	30.5	126.21	4.8
Fishery	236	0.6	365	0.7	154.66	9.1
Forestry	1,527	3.9	2,133	4.4	139.41	6.9
Others	190	0.5	208	0.4	109.47	1.8
	38,958	100.0	48,893	100.0	125.49	4.6

Table 7.7. Gross Agricultural Value Added

In 1965 Prices (Million TL)

Sub-branches	1967	1972	Index 1967=100	Annual Increase
Crops	18,932	23,015	121.6	4.0
Livestock	5,168	6,381	123.5	4.3
Fishery	189	293	155.2	9.2
Forestry	1,432	1,965	137.3	6.5
Others	190	208	109.5	1.8
Total	25,911	31,862	123.0	4.2

7.6. Exports and Imports

It is estimated that there will be no significant changes in the past trends in traditional crop exports. In the case of new products for export, there will be organizational difficulties at the beginning of the period. Because of the high level of domestic demand for cereals and pulses, export possibilities are limited.

The factors limiting the export of fruits are lack of standardization, higher domestic prices than export prices, and inadequate marketing, storage and transportation facilities.

It has been estimated that exports of animal husbandry products will increase 33.2 per cent and that 64.3 per cent of total exports of animal products will be live animals.

No significant exports of forestry products in general are expected. The limiting factors to exports are lack of a clear identification of the exporting institutions, lack of standardization, and higher domestic prices than world prices.

Most of the imports consist of improved seeds and breeding stock. Total value of exports and imports of agricultural products is given in Table 7.8.

Table 7.8. Foreign Trade Balance of Agricultural Products (In 1965 Prices--TL Mil.)

	1967	1972	Index 1967=100	Annual Increase %
Exports (FOB)	1,761	2,279	129.0	5.2
Imports (CIF)	291	370	127.1	4.9
Difference	1,470	1,909	-	-

More detailed exports of agricultural products are given in Table 4.14 of Part Two, and selected physical export targets are given in Table 7.9.

Table 7.9. Exports 1,000 Tons

Commodity Groups	1967	1972	Index 1967=100	Annual Increases in the Second Five Year Plan
Barley	5	100	-	14.8
Rye	50	100	200.0	2.6
Lentils	22	25	113.6	2.6
Cotton	220	250	113.6	2.6
Oranges	15	25	166.6	10.8
Lemons	15	20	133.3	6.0
Tangerines	12	22	183.3	12.9
Grapes	8	15	187.5	13.4
Vegetables	2	15	750.0	49.6
Meat	23	35	152.2	8.8
Wool, mohair, hair	11	12	109.1	1.8
Fish	16	36	225.0	17.6

7.7. Selected Policy Measures

(1) Irrigation

The area which will be opened to irrigation by completion of main construction works by 1972 will be around 541,000 hectares. The actual increase in irrigated land, however, will be close to 390,000 hectares due to the gestation period. It is estimated that with this addition, total irrigated area in 1972 will be 1,941,000 hectares (see Table 7.4).

In the field of major irrigation projects emphasis will be placed on completion of those projects already underway. The main priority will be given to development works on the small farm level, as a stimulus to cost-sharing. Underground water development will be another area of emphasis.

(2) Fertilizer

Efforts will be made to increase fertilizer use, with pure nutrient content expected to increase from 310,000 tons in 1967 to 758,000 tons in 1972. Of this target figure, nitrogen is estimated at 300,000 tons and P_2O_5 at 408,000 tons. Realization of this target by 1972 will enable fertilization of roughly 47 per cent of the land under cultivation.

(3) Seed Programme

High yielding seeds will be found and imported from abroad if necessary. Seeds procured will and those seeds giving highest yield will be made available to farmers for planting. Those crops whose supply is not sufficient to meet the demand and those which represent a high export possibility will be given priority by the seed improvement programme.

(4) Agricultural Research and Extension Services

The Agricultural Research and Extension Services will aim at bringing about technological improvements to increase productivity. Mechanization in agriculture will continue to be encouraged.

(5) Price Policy

Price support policies will be designed to decrease price fluctuations of agricultural products.

(6) Agricultural Credits

The purpose of providing agricultural credits will be to increase the use of fertilizers, improved seeds, and other farming aids which help raise productivity in agriculture. Priorities in investment credits will be given to irrigation and other projects designed to increase productivity.

(7) Farmers' Organizations

Farmers' organizations will be developed in order to minimize marketing problems. Cooperatives will be encouraged.

(8) Feed

Total feed supply will be increased by 17.9 per cent during the Plan period. The share of grain feeds in total digestible nutrient (TDN) is estimated to increase from 10.8 per cent to 13.3 per cent by 1972.

(9) Livestock

In the livestock development programmes the main bottleneck is the inadequate supply of feed. Feed production projects will be coordinated with breeding projects. Of the projected increase in meat supply, 18 per cent is calculated on the expectation that veterinary services will be improved. Poultry output will also be increased during this period.

Merino wool production will be developed to meet the domestic demand in the long run.

(10) Forestry

Forest management will be transformed from being simply a government agency to the status of a State Economic Enterprise. Forest management centers will be completed in the Second Five Year Plan period. The forest boundaries will

be determined clearly in order to manage better the activities of forest villagers in accordance with the forest management plans. Continuous efforts will be made to expand the exports of forest products.

7.8. Fishery Products

Not only coastal fishing, but also deep-sea fishing will be developed. Fishing activities will be regulated according to a newly proposed law.

VIII. MINING

8.1. Principles

(1) Although the geological resources of Turkey are wide and diversified, known underground resources suitable for extraction profitably and on a large scale are rather limited due to inadequacy of reserve estimates. Among the known important resources those which are suitable for extraction and marketing, such as copper, crude oil and mercury, will be mobilized during the Second Five Year Plan. If significant additions cannot be made to these resources during the Second Plan period it will be impossible to prepare large-scale mining projects for the Third Five Year Plan.

(2) Mineral and crude oil exploration activities will be continued in a more effective and rapid fashion, and to this end exploration activities will be centered on certain metallogenic provinces and on certain minerals.

(3) The most important prerequisite of the successful exploration activities is the existence of enterprises equipped with large capital and technological possibilities. The public sector enterprises will have to play very important role in this field. Therefore, the public sector enterprises dealing with exploration and extraction of mines and crude oil will be financially, technically and organizationally reinforced.

(4) There are sufficient investment opportunities in various export oriented mining fields where very large investments are not required, such as magnesite, borite, fluorite, amianthus, marble and the like. The private sector will be supplied with sufficient financial resources in order to help utilize these opportunities.

8.2. Development During the Second Plan Period

8.2.1. Demand

(1) Domestic Demand

With the establishment of the Third Iron and Steel Mill, the demand for iron ore will continue to increase during the Second Plan period. Likewise, the demand for non-ferrous metallic ores, such as copper, aluminium, will increase substantially with the establishment of investment projects by public sector enterprises. The demand for phosphorite is expected to increase owing to the fertilizer production programme.

The domestic demand for mining products is given in Table 8.1.

Table 8.1. Domestic Demand for Mining Products
(Value in 1965 prices. TL Million, Quantity in 1,000 Tons)

Commodities		1962	1967	Annual Increase %	1972	Index 1967 = 100	Annual Increase %
Coal:							
Bituminous	Quantity	3,983	5,000		6,250		
	Value	470	589	4.6	736	124.9	4.6
Lignite	Quantity	2,979	5,600		8,500		
	Value	179	536	13.4	510	151.8	8.7
Iron Ore	Quantity	422	1,800		3,200		
	Value	12.7	54	34.0	96	177.8	12.1
Non-Ferrous Metals	Value	122	201	10.4	516	256.6	20.7
Crude Oil	Quantity	2,886	5,500		10,000		
	Value	144	275	13.9	500	181.8	12.6
Others	Value	225	359	9.7	3,234	243.3	19.6
Total Value		1,153	1,814	9.4	3,234	179.3	12.2

(2) Exports

During the First Five Year Plan the exports of non-ferrous metals were more than 60 per cent of total exports of mining products. As Table 8.2. shows, the share of the exports of other mining and quarrying products is increasing much faster than the share of non-ferrous metals as a result of the increasingly greater domestic use of non-ferrous metals. The share of other mining and quarrying exports therefore surpasses the share of non-ferrous metals in total exports in 1972.

Table 8.2. Exports of Mining Products(1)
(In 1965 prices, TL Millions)

	1962	1967	Annual Increase %	1972	Index 1967 = 100	Annual Increase %
Non-Ferrous metals	107	114	1.2	155.2	136.1	6.3
Other mining and quarrying	23	86	30.2	158.1	183.4	12.8
TOTAL	130	200	9.0	313.3	156.5	9.3

(1) Valued at pit-head prices.

Table 8.3. Production Targets for Mining Products

Quantity: Tons
Value: 1965 Producers Prices (Million TL)

		1962	1967	First Plan % Annual Increase	1972	Index 1972 1967 = 100	Second Plan % Annual Increase
Coal:							
Bituminous	Quantity	3,893,000	5,000,000	-	6,250,000		
	Value	459.4	589	5.0	736	125.0	4.6
Lignite	Quantity	2,979,000	5,600,000		8,500,000		
	Value	178.8	336	13.4	510	151.8	8.4
Iron Ore	Quantity	813,000	1,800,000		3,200,000		
	Value	24.4	54	17.2	96	177.8	12.3
Non-ferrous Metallic Ores	Quantity	-	-		-		
	Value	280	315	2.3	671	213.0	16.3
Crude Petroleum	Quantity	595,400	2,400,000		6,000,000		
	Value	29.8	120	32.0	300	250.0	20.1
Other Mining and Quarrying Products	Quantity	-	-		-		
	Value	250	416	10.7	811	194.9	14.2
TOTAL	Value	1,222.4	1,830	8.4	3,124	170.7	11.1
Value Added		930	1,400	8.3	2,350	168.0	10.9

8.2.2. Production

It is expected that in the Second Five Year Plan production of mining products will increase faster than it actually did in the First Plan period, particularly in the cases of iron ore, copper, aluminium, pirite, mercury, wolfram, baron and magnesite productions. Production of mining products is given in Table 8.3.

8.2.3. Imports

It is expected that, because of increases in the domestic production of crude petroleum, imports will be decreasing. The other imported item is phosphorite, which is a raw material of the chemical industry. Imports are given in Table 8.4.

Table 8.4. Imports of Mining Products
(Value in 1965 prices, cif, TL Million, Quantity: 1,000 Tons)

Commodity	1962	1967	Annual Increase %	1972	Index 1967 = 100	Annual Increase %
Crude Petroleum:						
Quantity	2,269	3,100		4,000		
Value	317	434	6.3	560	129.0	5.2
Others:						
Value	13.8	29	16.0	220	758.6	50.0
Total Value	330.8	468	6.9	780	168.5	11.0

8.3. Investment

During the Second Five Year Plan period top priority will be given to the investments in crude petroleum and metals exploration. About 50 per cent of total public investment in mining will be devoted to exploration for crude petroleum and metals. Significant increases are expected in private investments in other mining and quarrying products classified as raw materials and exportable goods.

Table 8.5. Investments in Mining
(In 1965 Prices, 1000 TL)

	First Plan Total (Estimated)	Second Plan Total
1. Productive Investments:		
Coal	745,044	880,000
Iron Ore	75,447	77,000
Non-ferrous Metallic Ores	337,685	746,000
Crude Petroleum	418,600	290,000
Other Mining & Quarrying	140,911	292,000
Total	1,717,687	2,285,000
2. Exploration Investments:		
Petroleum	870,000	925,000
Metals other than Petroleum	288,400	890,000
Total	1,158,400	1,815,000
Total	2,876,087	4,100,000

8.4. Policy Measures

(1) The Mining Law will be revised to facilitate the establishment of large-scale national enterprises and to prevent the mining fields from remaining unexploited.

(2) The public enterprises, Etibank in particular, engaged in mining activities will strengthen their exploration units and will be reinforced so as to carry out detailed exploration and technical studies.

(3) The high cost of railways and ports increases the prices of exportable mining products and therefore limits export possibilities. For this reason the Ministry of Transportation will revise railway and port tariffs for the mining sector.

IX. MANUFACTURING

As was pointed out earlier, it is planned that manufacturing will become the leading sector of the economy. Of the planned increase in the GNP during the period 1967-1972, 38.6 per cent will be contributed by the manufacturing industry.

The Turkish economy will enjoy the possibility of entering the Third Plan period, after the implementation of the planned investment projects, with a structure capable of making significant progress in industrialization.

The achievement of the targets planned for manufacturing depends upon the provision of a sufficient amount of financial resources at the right time and upon the removal of organizational drawbacks.

9.1. Problems Facing Manufacturing

9.1.1. Industrial Organization

In manufacturing, a great number of enterprises operate on a small and medium scale and are scattered all over the country. Although significant increases in industrial output have been recorded during the last ten years, industrial organization has been left to its own development. The present situation is the result.

Out of 5,925 enterprises in both public and private sectors, only 6.6 per cent employ more than 100 workers. However, in recent years it has been observed that existing enterprises increased their production capacities and strengthened their financial positions and that new enterprises preferred to organize themselves as joint companies with larger amounts of capital. This tendency should be speeded during the Second Five Year Plan period.

The reasons for not establishing large-scale industrial enterprises are the lack of a capital market, limited habits of cooperation among enterpreneurs and the inadequacy of the executive staff.

9.1.2. Inefficient Use of Regulations and Incentive Measures

In order to accelerate industrial development the existing incentive measures were used and new ones were introduced during the First Five Year Plan period. Although these measures helped industry to develop and industrial goods exports to increase, because of the lack of coordinated policy in formulating policy measures by various departments these measures did not produce the expected results.

The purposes of the incentive measures, such as income tax exemptions for investment expenditures, payment of custom duties by installment and changes in customs duties, are very similar. However, creating independent institutions with different procedures of application and evaluation for each of them resulted in waste of time and inconsistencies in decisions. Although the regulation on the use of domestic materials in investment expenditures helped increase the domestic production of investment goods, delays were caused in the execution of many investment projects.

Some of the export promotion measures were ineffective. The expected uses were not made of the system of tax refunds on exports owing to the non-grouping of industrial export goods and to frequent changes in refund rates.

The decision with respect to installment payments of production tax on home-produced investment goods and the decision which postulates that the raw materials produced by public enterprises used in producing export goods should be supplied at world prices were not successfully implemented.

The current regulations on the establishment of industrial enterprises are outmoded, and it therefore takes four to five months to get a permit to start operating.

9.1.3. Cost of Industrial Products

The prices of home-produced manufactures are usually higher than world prices and, therefore, become a real factor limiting exports of industrial goods. This is caused mainly by high unit costs of production which can be explained by the following factors:

a. The import duties on imported investment and raw materials are unduly high;

b. The cost of home-produced raw materials and some essential services to the manufacturers are relatively high;

c. Because of the shortage of capital, the cost of credit is high; and

d. Enterprises are not established with the minimum economic capacity.

9.2. Targets for the Second Five Year Plan

The value of production, value added, imports and exports and the distribution of investment by sub-branches of manufacturing are given in Tables 9.1, 9.2 and 9.3.

Table 9.1. Value of Production and Value Added in Manufacturing
(In 1965 prices.TL Millions)

Industrial Branches	Value of Production			Value Added		
	1967	1972	Index 1967 = 100	1967	1972	Index 1967 = 100
1. Tobacco	2,440	2,890	118.4	1,490	1,700	114.1
2. Beverages	647	927	143.2	430	580	134.9
3. Food	17,041	22,860	134.1	3,130	4,300	137.4
4. Textile and Clothing	7,900	12,068	152.7	3,900	5,900	151.3
5. Wood Products	1,920	2,851	148.4	580	860	148.3
6. Paper	370	889	240.2	170	350	205.9
7. Printing	450	839	184.4	230	380	165.2
8. Hides and Leather	300	440	146.6	90	120	133.3
9. Rubber	980	1,590	162.2	520	810	155.8
10. Plastics	360	800	222.2	150	330	220.0
11. Chemicals	2,220	5,800	261.2	1,000	2,600	260.0
12. Petroleum	2,997	4,816	160.6	1,570	2,750	175.2
13. Ceramics	112	206	183.9	75	120	160.0
14. Glass	467	808	173.0	305	520	170.5
15. Cement	682	1,540	225.8	380	850	223.7
16. Cement & Baked-Clay Prod.	540	786	145.5	350	500	142.9
17. Iron and Steel	2,420	4,500	185.9	1,160	2,200	189.7
18. Non-ferrous metals	780	1,460	187.2	420	700	166.6
19. Metal Products	2,060	3,920	190.2	1,040	1,850	177.9
20. Machinery	1,315	3,500	266.1	805	2,000	248.4
21. Agricultural Machinery and Tools	373	885	237.2	175	370	211.4
22. Electrical Machinery	518	1,352	261.0	290	690	237.9
23. Electronics	212	515	242.9	120	280	233.0
24. Road Vehicles	1,874	3,230	172.3	644	1,260	195.6
25. Railway Vehicles	310	450	145.1	180	240	133.3
26. Ship Building	140	420	300.0	60	230	383.3
27. Aircraft Repair and Maintenance	16	30	187.5	6	10	166.7
TOTAL	49,444	80,355	162.5	19,270	32,500	168.7

Table 9.2. **Import and Export Projections for Manufacturing**
(In 1965 Prices, TL Millions)

	Imports (CIF)			Exports (FOB)		
Industrial Branches	1967	1972	Index 1967 = 100	1967	1972	Index 1967 = 100
1. Tobacco	-	-	-	826.0	980	118.6
2. Beverages	6.0	20	333.0	5.0	16	320.0
3. Food	155.2	60	38.6	1253.3	1385	110.5
4. Textile & Clothing	66.0	80	121.2	68.0	350	514.7
5. Wood Products	5.0	10	200.0	10.0	50	500.0
6. Paper	140.0	140	100.0	-	-	-
7. Printing	20.0	19	95.0	2.0	5.5	275.0
8. Hides & Leather	20.0	30	150.0	74.0	120	162.1
9. Rubber	130.0	160	123.0	-	-	-
10. Plastics	-	-	-	-	-	-
11. Chemicals	1650.0	2000	121.2	35.0	110	314.0
12. Petroleum Products	109.2	175	160.2	28.2	-	-
13. Ceramics	0.3	-	-	2.1	13.5	642.0
14. Glass	23.3	10	42.9	22.9	40	174.6
15. Cement	20.0	-	-	-	25	-
16. Cement & Baked Clay Products	-	-	-	-	-	-
17. Iron & Steel	400.0	970	242.5	-	-	-
18. Non-ferrous metals	230.0	270	117.3	200.0	480	240.0
19. Metal Products	200.0	300	150.0	5.0	40	800.0
20. Machinery	1854.0	3300	177.9	14.0	84	600.0
21. Agricultural Machinery & Tools	47.0	60	127.6	-	-	-
22. Electrical Machinery	317.0	500	157.7	26.0	100	384.6
23. Electronics	145.0	310	213.7	4.5	10	222.0
24. Road Vehicles	385.0	225	58.4	-	-	-
25. Railway Vehicles	60.0	50	83.3	1.0	12	1200.0
26. Ship Building	75.0	60	80.0	-	-	-
27. Aircraft Repairs & Maintenance	110.0	140	127.2	-	-	-
TOTAL	**6168.0**	**8889**	**144.1**	**2577.0**	**3821**	**148.3**

Table 9.3. **Investment in Manufacturing**
(In 1965 Prices.TL Millions)

Industrial Branches	Investment in the First Plan Period	Investment in the Second Plan Period	Index First Plan = 10
1. Tobacco	209.3	190	90.8
2. Beverages	159.0	320	201.3
3. Food	994.4	1850	186.0
4. Textile & Clothing	1563.3	2400	153.5
5. Wood Products	269.0	440	163.6
6. Paper	317.2	1850	583.2
7. Printing	161.5	200	123.8
8. Hides & Leather	46.9	150	319.8
9. Rubber	430.4	700	162.6
10. Plastics	108.3	235	217.0
11. Chemicals	1829.0	4250	232.4
12. Petroleum Products	782.9	1150	146.9
13. Ceramics	290.4	40	13.8
14. Glass	173.9	240	138.0
15. Cement	632.9	950	150.0
16. Cement & Baked Clay Products	191.2	60	31.0
17. Iron & Steel	2752.1	4200	152.6
18. Non-ferrous metals	114.6	1500	1308.9
19. Metal Products	667.3	1150	172.3
20. Machinery	301.7	1550	513.8
21. Agricultural Machinery & Tools	33.8	150	443.8
22. Electrical Machinery	272.0	450	165.4
23. Electronics	29.5	150	508.5
24. Road Vehicles	151.6	350	230.9
25. Railway Vehicles	136.7	110	80.5
26. Ship Building	85.0	350	411.8
27. Aircraft Repairs & Maintenance	170.0	15	88.2
TOTAL	12721.3	25000	196.5

9.3. Policies

9.3.1. Principles

(1) Newly established industries will be protected until they overcome the problems of the initial years of establishment and gain international competitive strength. However, after a predetermined experimental period and the creation of certain conditions, import restrictions and customs policies will gradually be liberalized.

(2) In order that the new enterprises will be established and the old ones operated with minimum economic capacities and mass production techniques, expansions, mergers and specializations will be encouraged.

(3) For the purpose of lowering unit costs, custom duties on investment goods and the prices of some basic goods and services have to be adjusted.

(4) In determining import priorities the main criteria will be to assure that existing capacities are utilized to the extent of meeting the demand and to achieve faster implementation of programmed investments.

In order to shorten the construction period of basic industrial projects first priority will be given to these projects in the use of the Central Bank's foreign exchange resources.

(5) The main principle in exports of agricultural, forest and mining products is to export them after processing them in the country as much as possible.

(6) The standardization activities started in the First Plan period will be speeded and their coverage will be widened.

(7) The increases in the variety of goods supplied for final consumption and the intensity of inter-industrial flows of goods require systematic quality control activities, which should cover all exportable goods as well as those for domestic use.

(8) Emphasis will be placed on technological and managment research, technical training, and on the development of engineering and consulting firms preparing industrial projects.

9.3.2. Policy Measures

(1) Encouragement of Investment Activities

a. The regulations concerning the establishment and operation of industrial enterprises will be reviewed and new procedures will be defined according to the principles of simplicity, clarity and consistency.

b. Before investments are started, the projects which are entitled to benefit from the inducement measures will be evaluated by a single authority; if the project is in conformity with the Plan the same authority will determine to what extent these measures can be applied.

c. The rate of depreciation will be readjusted according to the development in industrial production and changes in techniques of production.

(2) Preparation for International Competition

a. Competitive and regulatory importation will be started within the framework of a programme to be drawn up and announced in 1968 in order to (i) increase the international competitiveness of the firms which have acquired enough experience under import restrictions and protective customs policy, (ii) ensure that they supply goods for the domestic market at lower prices, and (iii) prevent emergency of monopolistic tendencies.

b. In order to lower the unit costs of industrial products, necessary measures will be taken to lower the costs of energy, transporation and basic raw materials gradually to levels prevailing in industrialized countries. These measures will be applied first to the export industries.

c. During the application of encouragment measures, the establishment of new enterprises with the minimum economic capacity will be taken into consideration. In order to help the old enterprises collaborate to produce goods cheaper and strengthen their technical and financial posistions, instruments such as tax reductions and exemptions will be developed and effectively applied.

(3) Development of the Assembly Industry

For the last ten years, the assembly industry has been importing parts and equipment to combine with domestic components to produce finished goods. This activity caused the use of a large number of types and models and a waste of resources. The following basic measures will be taken to reorganize the assembly industry.

a. The semifinished and intermediate goods will be standardized. The participation of the assembling enterprises in the establishment of large joint enterprises producing basic semifinished or intermediate goods will be supported by the government. However, if such enterprises cannot be established, the Government will set up the necessary enterprises to produce these goods.

b. The common demands for semifinished or intermediate goods by industries producing transportation equipment, agricultural machinery, and tools will be given priority for domestic production with a view to the procedure outlined above.

c. The types and the models will be chosen in accordance with the country's conditions in the case of increases in capacity of the existing assembly industry or of development of new branches of the assembly industry.

(4) Export Promotion

a. The existing tax refund system applied to exports will be simplified. Similar products will be put in groups for which refund rates will be determined. These rates should not be changed frequently.

b. In foreign exchange allocations priorities will be given to the expansion of existing export enterprises or the establishment of new ones and to their raw material imports.

(5) Standardization and Quality Control

a. The Turkish Standards Institute will intensify its activities.

b. The Ministry of Industry will be provided with all the authority necessary for fixing and inspecting the quality of products.

(6) Industrial Research and Technical Services

a. In order to increase industrial productivity both the volume and the efficiency of the technological and managerial research will be increased substantially. The necessary finance for this purpose has been fixed as TL 400 million to be supplied from public resources.

b. The Industrial Research Institute established by the Turkish Scientific and Technical Research Institute will concentrate its activities on technological problems of the manufacturing industry and will be organized to perform technical consulting services for enterprises. It will also follow closely the progress in production techniques in advanced countries and adapt them to Turkey's conditions.

(7) Location of Industries

a. New industries which are interrelated with each other will be located in certain centers of the country. These locations will be equipped with the necessary overhead capital.

b. Industrial sites with all overhead facilities will be established in suburban areas and industries whose expansion is limited in the cities will be encouraged to settle in the new industrial sites.

X. CONSTRUCTION

10.1. Principles

During the Second Plan period buildings will be standardized in order to reduce their cost and shorten their construction period, especially for dwellings and administrative buildings. In overhead capital construction, labor intensive methods will be developed.

10.2. Estimates for the Second Five Year Plan

10.2.1. Value Added

Output of the construction sector is estimated as a function of the investments in other sectors. The value added estimates (obtained by deducting current inputs from gross output) are given in Table 10.1.

Table 10.1. Value Added in Construction
(In 1965 prices - TL Billions)

	TL Billions			Annual Rate of Increase (Per Cent)	
	1962	1967	1972	1962-1967	1967-1972
Value Added	3.1	4.5	6.5	7.8	7.6

10.2.2. Investment

Investment in machinery and equipment used in construction activities are included in the investments in other sectors. It is estimated that an investment of TL 3.5 billion in construction equipment and machinery is needed in order to realize the investments to be made in other sectors. It is also calculated that TL 2.3 billion worth of machinery and equipment will be imported.

10.3. Measures

(1) Law No. 2490 on Adjudications will be revised to improve the relationships between the State and the contractors.

(2) Reorganization of the public institutions engaged in construction will be continued during the Second Plan period. Measures will be taken to remove imbalances in the distribution of administrative and technical personnel.

(3) Development of consultant engineering and architectural firms will be encouraged. State construction firms operating irrationally will be abolished and the new ones will not be set up.

XI. ENERGY

11.1. General

The total energy consumption of Turkey at the beginning of the First Plan period was 22 million tons of hard coal equivalent and 31 million tons at the end of the period. It is expected that the use of non-commercial fuels such as firewood and dung will be decreasing; and that the gap will be closed by the increase in commercial fuel consumption.

11.2. Targets of the Second Five Year Plan

The rapid increase in industrialization and urbanization will accelerate the increase in demand for energy in the Second Five Year Plan period. It is expected that this rapid increase in demand will require more use of petroleum products in the Second Plan period. Consumption of primary energy is given in Table 11.1.

11.3. Coke and Gas

11.3.1. Demand and Production

During the Second Five Year Plan period demand and production of coke and gas are estimated to increase around 11 per cent per annum. The estimated increase in production of metallurgical coke will be required by the output of the Third Iron and Steel Mill which will begin to operate at the end of this period.

Production and the value added estimates of coke and gas are shown in Table 11.2.

During the Plan period, it will be possible to produce 400,000 tons of coke (with the equivalence of 6,000 k. cal.) a year from low gravity petroleum.

11.3.2. Investment

It is estimated that TL 100 million of investment will be made in this sector over the Plan period. TL 25 million will be invested in coke factories and the remaining TL 75 million in gas installations.

11.4. Electricity

11.4.1. Principles

(1) In order to avoid bottlenecks in meeting the demand for electrical energy, the capacities of production, transmission and distribution networks will be raised above the demand level.

(2) The interconnecting grid system will be developed.

Table 11.1 The Consumption of Primary Energy (Coal Equivalent)

	Coal		Lignite		Petroleum Products		Hydroelectric Power		Wood		Dried Dung		Others		Total	
Years	Thousand Tons	% of Total	Thousand Tons	% of Total	Thousand Tons	% of Total	Thousand Tons	% of Total	Thousand Tons	% of Total	Thousand Tons	% of Total	Thousand Tons	% of Total	Thousand Tons	% of Total
1962	3,983	18.1	1,196	9.1	3,571	16.2	562	2.6	6,521	29.6	5,365	24.4	-	-	21,998	100
1967	5,000	16.3	3,500	11.4	9,000	29.4	1,000	3.3	6,700	21.9	5,499	17.7	-	-	30,600	100
1972	6,000	14.1	5,600	13.1	15,700	36.9	2,750	6.5	5,000	11.8	4,000	9.4	3,500	8.2	42,550	100

Table 11.2. Production and Value Added Estimates of Coke and Gas [1/] Value: in 1965 Producer Prices -- TL Million

	Quantity	Value (TL Mil.)	Quantity	Value (TL Mil.)	Annual Increase in the First Five Year Plan Period	Quantity	Value (TL Mil.)	Annual Increase in the Second Five Year Plan Period
Metallurgical Coke (1,000 tons)	280	66.3	1,080	309.2	36.0	1,700	486.6	9.8
Heating Coke (1,000 tons)	472	61.2	250	27.9		1,000	111.5	
Gas (Million M^3)	100	35.3	150	65.0	13.0	220	95.3	8.0
Total		162.8	-	402	19.8	-	693.4	11.5
Value Added		50.0		130.0	21.0		210.0	10.0

[1/] Demand for metallurgical coke is equal to domestic production.

Table 11.3. Electricity Production and Consumption Estimates (Mil. KwH.)

Year	Demand	Internal Use and Losses	Gross Production
1962	3,059	500	3,559
1963	3,406	577	3,983
1967	5,255	995	6,250
1972	10,100	1,750	11,850
Index (1967 = 100)	192	176	190
Annual Increase (%)	14.0	12.8	13.9

Table 11.4. Electricity Production and Consumption Estimates (TL Mil.)

Year	Demand	Internal Use and Losses	Gross Production
1962	654	105	750
1963	719	121	840
1967	1,100	210	1,320
1972	2,131	369	2,500
Index (1967 = 100)	192	176	190
Annual Increase (%)	14.0	12.8	13.9

(3) In meeting the demand, priority will be given to water resource development.

11.4.2. Developments and Problems

Because of delays in putting planned installations in place, the rate of increase in production reached only 12 per cent per annum during the period 1962-1966.

Poor organization and lack of coordination remain as the important problems in the electricity sector. The delays in investments and the unbalanced allocation of investment resources between electricity generation, transmission and distribution networks caused important bottlenecks.

11.4.3. Targets for the Second Plan Period

(1) Demand and Production

Demand and production estimates of electricity have been made with a view to the principles for the development of this sector. Demand for and gross production of electricity are given in Tables 11.3. and 11.4.

(2) Value Added

The estimated level of value added in this sector in 1967 is TL 800 million. It is expected that value added will reach TL 1,540 million in 1972.

(3) Investment

Total investment to be made in the electricity sector over the planned period is TL 8.7 billion. In estimating investment in this sector, all the probabilities of shortage in production in any year were taken into consideration. Investment is given in Table 11.5.

Table 11.5. Investment in Electricity

	TL Mil.
1967	1,250
1968	1,700
1969	1,700
1970	1,750
1971	1,750
1972	1,800
Total	8,700

11.4.4. Measures

(1) Taxes, fees and interest rates, which are differentiated according to the nature of the various institutions participating in the electricity sector, will be revised and adjusted according to prevailing conditions.

(2) Special rates will be applied in organized industrial regions and specified industrial branches.

(3) Possibilities of making use of nuclear energy resources will be sought and efforts will be made to set up nuclear energy generators.

XII. TRANSPORTATION

12.1. Principles

(1) The transportation sector will be developed in such a way as to make possible the achievement of the economic and social targets foreseen in the Plan. It is essential that demand for transportation services be met a minimum cost and in security.

(2) The participation of the users of the transportation system in construction and maintenance expenditures will be obtained to the extent of meeting the annual depreciation, repair and maintenance costs of the system.

(3) The sector will be enabled to acquire a developing and dynamic structure able to adapt itself to changing conditions. The modernization of the entire transportation system includes management, administration, organization, planning and research.

(4) It will be essential to maintain security and to prevent accidents in the transportation systems.

12.2. Developments and Problems

Transportation activities are carried out by a large number of private enterprises or individuals and public enterprises. Although the existing system has not reached an efficient structure, it is sufficient to meet total demand for transportation services.

Excessive competition on the roads causes the prices of transportation services to fall below normal. Demand for transportation has been increasing very rapidly on the highways at the expense of sea and railway transportation. The conditions of entering and leaving the business in highway transportation have not been defined. The ratio of the number of accidents per vehicle is very high. Neither passengers nor freight nor drivers are insured.

Because it was not established as an efficient enterprise and because of the rapid development of highway transportation at the expense of railways, the Railways Department has been continuously making losses.

The maritime fleet is composed of old and slow vessels. The target of carrying 50 per cent of exports and imports of Turkey during the First Five Year Plan period has not been realized.

The Turkish Air Lines system has not become a modern airlines enterprise.

Although the network of State highways has reached the planned length, physical and geometrical standards have not been raised to a sufficient level; 70 per cent of total State highways and 84 per cent of provincial highways are below the standards.

Construction of village roads was emphasized in recent years, but collaboration between relevant institutions has not been established.

The geometrical standards of the railways are inadequate; the links between cities are too long; and the majority of the wagons and locomotives are old.

12.3. Targets and Estimates for the Second Five Year Plan Period

12.3.1. Demand

Inland passenger transportation,both inter-urban and urban, is shown in Table 12.1 and inland goods transportation is shown in Table 12.2. During the First Plan period the highest rate of increase was in highway transportation of both passengers and cargo, excluding air cargo. It is estimated that in the Second Plan period the biggest development will still take place in highway transportation, though it may not be as rapid as in the past.

Railway freight traffic is expected to increase 4.9 per cent and passenger traffic 4.1 per cent per annum. In shipping the rate of increase is expected to be 7.3 per cent per annum for freight and -4.1 per cent per annum for passengers.

With the introduction of new jet aircraft into the Turkish AirLines system, substantial increases are expected both in freight and passenger transportation. An increase of 7.2 per cent per annum in air cargo and a similar rise in plane traffic at airports are expected in this period.

The overseas transportation estimates are given in Tables 12.3 and 12.4.

12.3.2. Capacities

Highway motor vehicle traffic increased 9.4 per cent per annum in the 1963-1967 period, and an increase of 9.0 per cent per annum is expected in the 1968-1972 period.

On railways, 58 more long-haul diesel locomotives, 34 more switcher diesel locomotives and 8 long-haul electric locomotives will be added to the rolling stock in addition to new carriers and replacements.

Two more new medium-range jet planes will be added to the fleet for international service.

Table 12.1. Inland Passenger Transportation Estimates
(Mil. Passenger x Km.)

Type of Transportation		1963	1967	Annual Increase %	1968	1972	Index for 1972 1967 = 100	Annual Increase %
Roads	Inter-urban	19,36	36,100	16.8	40,200	60,400	167.3	10.7
	Urban	1,184	1,045	-3.0	1,070	1,200	114.8	2.3
Railways	Inter-urban	3,005	3,639	4.9	3,779	4,428	121.6	4.1
	Urban	626	710	3.3	730	880	123.9	4.8
Shipping	Inter-urban	213	178	-4.6	172	147	82.6	-3.9
	Urban	965	1,025	1.5	1,040	1,150	112.2	2.6
Airways	Inter-urban	124	203	13.2	226	356	175.3	12.0
TOTAL	Inter-urban	22,711	40,120	15.2	44,377	65,331	162.8	10.0
	Urban	2,775	2,780	0.01	2,840	3,230	116.2	3.3

Table 12.2. Inland Freight Transportation
(Mil. Tons x Km.)

Type of Transportation		1963	1967	Annual Increase %	1968	1972	1972 1967 = 100	Annual Increase %
Roads		6,717	12,500	18.0	14,400	25,900	207.2	15.8
Railways		4,111	6,201	10.8	6,477	7,849	126.5	4.9
Shipping	Inter-urban	1,889	3,420	16.8	3,680	4,880	142.6	7.3
	Urban	65	80	5.4	81	103	128.8	6.2
Airways		1.1	2.4	21.2	3.2	5.0	208.3	11.8
TOTAL	Inter-urban	12,418.1	22,123.4	15.4	24,560.2	38,634.0	174.6	12.0
	Urban	65	80	5.4	81	103	128.8	6.2

Note: 1. Estimates for inter-urban transportation by highways and railways are production figures.

2. Estimates for shipping are only for public sector.

Table 12.3. Overseas Passenger Transportation
(Mil. Passenger x Km.)

Type of Transportation	1963	1967	Annual Increase %	1968	1972	Index for 1972 1967 = 100	Annual Increase %
Roads	-	72	..	83	130	180.6	11.8
Railways	-	-	-	-	-	-	-
Shipping	145	114	-6.2	119	144	126.3	4.9
Airways	49	118	40.0	201	280	148.9	8.7
TOTAL	194	374	17.8	403	554	148.1	8.3

Note: Except for road transportation, all the figures pertain only to the public sector.

Table 12.4. Overseas Feight Transportation
(Mil. Tons x Km.)

Type of Transportation	1963	1967	Annual Increase %	1968	1972	Index for 1972 1967 = 100	Annual Increase %
Roads	3	15	50.0	21	100	666.7	48.0
Railways	52	350	65.1	408	780	222.8	17.6
Shipping	7,204	8,100	3.0	8,400	9,400	116.0	2.9
Airways	0.4	0.8	18.8	1.4	2.5	312.5	15.6
TOTAL	7,259.4	8,465.8	4.0	8,830.4	10,282.5	121.5	3.9

Note: Except for road transportation, all the figures pertain to the public sector.

12.3.3. Investments

An amount of TL 16.7 billion is expected to be invested in transportation. Of this total amount, the share of highways will be 72.7 per cent, railways 18.8 per cent, waterways 5.4 per cent and airways 3.1 per cent. Outstanding projects to be undertaken in this period are the Bosphorus Bridge and periphery roads, an expressway between Edirne and Iskenderun, and several South-West Anatolia roads. Investment in transportation is given in Table 12.5.

12.3.4. Measures

(1) An organization will be set up authorized to formulate general policies and take necessary decisions regarding the development of the transportation sector. Coordination between the transportation systems will be carried out by a single authority.

a. A separate "General Directorate for Highway Transportation and Traffic" will be set up, which will be responsible for security on the roads, traffic controls, driving licences and all other duties related to highway management.

b. A separate "Directorate of Ports" tied to the Ministry of Transportation will be set up. It will be responsible for all the services, except construction, related to Turkish ports.

c. In every sub-branch of the transportation system an insurance system covering passengers, drivers, freight and vehicles will be developed.

(2) The traffic problem of the city of Istanbul, which is facing severe bottlenecks, will be solved and a long-term plan will be prepared by relevant departments under the auspices of the Ministry of Transportation, within the framework of the Master Plan of Istanbul.

(3) Conditions of entering and leaving the highway transportation business will be determined. In particular, joint ventures will be encouraged.

(4) Studies will be made to reorganize the urban traffic of the large cities.

(5) Handling services at airports will be centralized and better organized.

(6) Research will be carried out concerning air-taxi services which will be encouraged where potentials exist.

Table 12.5. Investments in Transportation and Communication Sectors (In 1965 Prices - Million TL)

Transportation	Total Investments during the FFYP Period (1)	1968 (2)	1969 (3)	1970 (4)	1971 (5)	1972 (6)	Total Investments during the SFYP Period (7)
Highways	6360.0	2070.0	2230.0	2400.0	2625.0	2845.0	12170.0
Railways	1562.0	485.0	600.0	705.0	700.0	660.0	3150.0
Shipping	779.7	183.0	193.0	191.0	166.0	167.0	900.0
Airways	220.7	153.0	124.0	63.0	128.0	52.0	520.0
TOTAL	8922.4	2891.0	3147.0	3359.0	3619.0	3724.0	16740.0

XIII. COMMUNICATION, RADIO AND TELEVISION

13.1. Principles

a. The communication system will be improved to meet the requirements of the developing economic activities.

b. Communication services will be carried out by a single authority, unless necessary.

c. Communication services will be supplied more cheaply to a wider segment of the community.

d. Television broadcasting will be started during the Second Plan period.

e. It will be made possible to listen to at least one national and one regional radio programme all over Turkey by 1972.

13.2. Investment

Table 13.1. Investment in Communication, Radio and Television
(In 1965 Prices - TL Million)

	First Plan Period	1968	1969	1970	1971	1972	Total in Second Plan Period
1. Communication	573	165	175	190	205	225	960
2. Radio and TV	133	40	50	60	70	80	300
Total	706	205	225	250	275	305	1,260

XIV. TOURISM

14.1. Principles and Developments

14.1.1. Principles

The basic principles of the tourism policy to be followed in the Second Five Year Plan are as follows:

(1) During the Second Plan full advantage will be taken of the economic, social and cultural aspects of tourism.

(2) In particular, receipts from foreign tourism will be raised by increasing the number of foreign tourists and their average expenditure while internal tourist activity will also be developed.

(3) Touristic investments will be concentrated in the regions with high touristic potential, and accommodations suitable for mass tourism and transportation facilities will be provided. These investments will be supported with credit and with financial and legal measures and will be carried out according to a physical plan.

(4) Price policy in tourism will be arranged according to the conditions of international competition.

(5) The organization of tourism will be improved and a new orientation will be given to tourist information and credit policy.

(6) The investment policy in the tourism sector will be for the Government to undertake infrastructure and related investments and model facilities and for the private sector to make the other touristic investments.

14.1.2. Developments and Issues

The following principles were announced in the First Five Year Plan: that infrastructure investments would be made by the public sector and investments in touristic facilities by the private sector; and also that priority would be given to the Marmara, Antalya and Aegean regions.

It was visualized in the First Five Year Plan that 1.4 per cent of each year's investment would be allocated to tourism. In the annual programs, however, this ratio was raised and on the average 2.04 per cent of total annual investment was allocated to tourism. During the first three years of the Plan, 81 per cent of this volume of investment was realized.

While the goals set forth in the First Plan were in general realized during the first three years, the measures visualized could not be taken on time because of difficulties in implementation. In fact, although the expected increase in demand was realized and the number of foreign tourists expected to visit Turkey in 1967 was almost reached in 1966, all of the income from external tourism did not find its way into official channels. Moreover the capacity of the sector did not demonstrate the necessary development from the point of view of either quantity or quality.

As of today the very necessary coordination between the various public and private sector organizations in the tourism field has not yet been assured. Tourism information activities do not have a commercial character (which they should have) and are not conducted separately from political and cultural activities. The necessary organizations for training and education in the field of tourism and for a tourism credit policy have not been fully established and it has not been possible to bring the financial and legal measures for the encouragement of tourism to a satisfactory state.

14.2. Objectives and Estimates of the Second Five Year Plan

14.2.1. Demand and Output Goals and Estimates

(1) The number of tourists

The number of tourists expected during the Second Five Year Plan period is shown in Table 14.1. According to this information internal tourism activities will on the average show a 10 per cent annual increase.

Estimates concerning the number of Turks going abroad are also given in this table. It is estimated that foreign tourism (on the part of Turks) will on the average increase 10 per cent per year.

Table 14.1 shows the number of foreign tourists who are expected to come to Turkey during the Second Five Year Plan development period. An average annual increase of 25 per cent in the number of such tourists is expected.

(2) Tourism receipts and expenditures

In estimating receipts from internal tourism, use was made of the projections of the number of domestic tourists and of the number of nights they would spend; it was assumed that the expenditure per night of these tourists would be 40 lira per capita between 1965 and 1969 and 50 lira per capita between 1970 and 1972.

Table 14.1. Estimates of Demand (The Number of Domestic and Foreign Tourists) Numbers

	1963	1967 Estimate	First Plan % Increase	1968	1969	1970	1971	1972	Index 1967 1967 = 100	Second Plan Annual % Increase
The Number of Domestic Tourists (Internal Tourism)	860,000	1,260,000	10	1,400,000	1,530,000	1,680,000	1,850,000	2,000,000	159	10
Turkish Tourists Going Abroad	84,400	225,000	22.5	247,000	272,000	300,000	330,000	363,000	162	10
Number of Foreign Tourists Arriving	155,000	470,000	32	588,000	735,000	920,000	1,150,000	1,435,000	305	25
The Total of Domestic and Foreign Tourists	1,015,000	1,730,000	14.2	1,988,000	2,265,000	2,600,000	3,000,000	3,435,000	195	14.7

Table 14.2. Tourism Receipts and Expenditures

Million TL and $
(In 1966 prices)

	1963	1967 Estimate	First Plan % Increase	1968	1969	1970	1971	1972	Index 1967 1967 = 10	Second Plan Annual % Increase
Receipts from Internal Tourism TL	200.0	385.6	17.4	415.1	456.6	627.9	690.7	759.7	198	15.8
Expenditures on External Tourism TL	184.5	270.0	8.4	405.0	450.0	495.0	540.0	585.0	217	10.0
Expenditures on External Tourism $	20.5	30.0		45.0	50.0	55.0	60.0	65.0		
Receipts from External Tourism TL	69.3	216.0	34.0	405.0	495.0	693.0	990.0	1,215.0	540	32
Receipts from External Tourism $	7.7	24.0		45.0	55.0	77.0	110.0	135.0		
Total Tourism Income	269.3	601.6	23.0	820.9	951.6	1,320.9	1,680.7	1,974.7	323	24.5
Net Receipts from External Tourism TL	115.2	54.0	27.0	0	45.0	198.0	450.0	630.0	-	-
Net Receipts from External Tourism $	12.8	6.0		0	5.0	22.0	50.0	70.0		

Receipts from external tourism were obtained on the basis of the projected numbers of foreign tourists with the assumption that on the average each tourist would remain in Turkey 8 days between 1965 and 1967, 9 days between 1968 and 1970, and 10 days between 1971 and 1972. It was further assumed that between 1965 and 1967 foreign tourists would spend $6 per day per capita, $8 between 1968 and 1969, and $9 between 1970 and 1972.

Expenditures on foreign tourism have been estimated on the basis of projections of the number of Turks going abroad.

Internal and external tourism receipts and expenditure estimates and net tourism income based upon the above assumptions are shown in Table 14.2.

14.2.2. Investments

(1) Necessary capacity

New capacity to accommodate tourists to be established during the Second Five Year Plan period was calculated by taking into account the existing capacity, estimates of the number of foreign tourists who will come, and the developments expected in internal tourism.

The calculations which were made showed that as of the end of 1964 Turkey had an accommodation capacity at the disposal of internal and external tourists totaling 41,878 beds. The extent to which this capacity must increase has been established by years and according to the expected numbers of local and foreign tourists (see Table 14.3.). Table 14.4. gives the numbers of beds needed year by year.

Table 14.3. Projections of the Number of Beds Required for Domestic and Foreign Tourists

Regions	Length of Tourist Season (Number of Days)	1968	1969	1970	1971	1972
Mediterranean	210	34,648	40,680	51,091	61,199	73,798
Aegean	210	12,101	15,959	22,556	30,032	40,137
Inner Anatolia	180	23,882	26,062	20,020	31,642	34,368
Marmara	210	7,069	9,904	14,792	18,996	28,742
Eastern Anatolia	180	1,893	3,267	2,894	3,559	4,421
Gaziantep-Diyarbakir	180	1,893	3,267	2,894	3,559	4,421
Eastern Black Sea	180	3,046	3,536	4,290	5,094	6,109
Total		84,532	102,665	127,537	154,081	191,996

Table 14.4. Annual Requirement for Beds

Year	Total Requirement For Beds	Number of Beds Existing at the End of 1964	Number of Beds To Be Added	Number of Beds Which Must Be Available at the Beginning of the Season
1968	84,532	41,878	42,654	42,654
1969	102,665	41,878	60,787	18,133
1970	127,537	41,878	85,659	24,872
1971	154,081	41,878	112,203	26,544
1972	191,996	41,878	150,118	37,915

In Table 14.5. the capacity of the various types of accommodations is shown classified by class and type. The calculations which have been made and the tourist policy which is to be followed show that it is necessary to allocate 87 per cent of the investment in facilities to installations suitable for "mass tourism" (that is, third and fourth class hotels, motels, pensions, camps and holiday villages). It is visualized that the new capacity will be concentrated in regions and in places which are rich from the touristic point of view.

Table 14.5. Projection of Beds Required by Class and Type of Accommodation

	Hotel				Motel					
	Luxury & First Class %3	Second Class %10	Third Class %15	Fourth Class %15	First Class %10	Second Class %10	Pension %10	Camp %12	Other %15	Total %100
1968	1,279	4,265	6,398	6,398	4,265	4,265	4,265	5,121	6,398	42,654
1969	543	1,813	2,719	2,719	1,813	1,813	1,813	2,181	2,719	18,133
1970	746	2,487	3,730	3,730	2,487	2,487	2,487	2,988	3,730	24,872
1971	796	2,654	3,981	3,981	2,654	2,654	2,654	3,189	3,981	26,544
1972	1,077	3,791	1,387	5,387	3,791	3,791	3,791	5,513	5,387	37,915

(2) Investment program

The investments to be made in the tourism sector during the Second Five Year Plan period are considered under three headings: basic tourism investments; complementary tourism investments; and infrastructure, local services and transportation investments.

Table 14.6. shows the distribution of tourism investment by year.

Table 14.6. Investment in the Tourism Sector by Years — 1965 Prices (1,000 TL)

Year	Investment in Hotels and Motels	Investment in Restaurants	Investment in Amusement and Recreation Facilities	Investment In Health	Investment in Historical and Archaeological Treasures	Total
1968	540,000	100,000	25,000	15,000	36,000	716,000
1969	220,000	40,000	25,000	15,000	36,000	336,000
1970	310,000	58,000	25,000	15,000	36,000	444,000
1971	340,000	62,000	25,000	15,000	36,000	478,000
1972	460,000	90,000	25,000	15,000	36,000	626,000
5-Year Total	1,870,000	350,000	125,000	75,000	180,000	2,600,000

Table 14.7. Expenditures Complementary to Tourism Sector Investments — 1965 Prices (1,000 TL)

Year	Educational Investments and Expenditures	Information Expenditures	Infrastructure and Local Service Investments	Investment in Complementary Service Connected with Tourism	Total
1968	20,000	6,000	200,000	11,000	237,000
1969	14,000	9,000	200,000	13,000	236,000
1970	115,000	12,000	200,000	20,000	247,000
1971	17,000	16,000	200,000	25,000	258,000
1972	18,000	20,000	200,000	30,000	268,000
Total	84,000	63,000	1,000,000	99,000	1,246,000

Note: These investments or current expenditures connected with tourism are included in the expenditures of the relevant sector.

Table 14.8. shows the distribution of tourism investment by regions.

Table 14.8. Regional Distribution of Touristic Investments — 1965 Prices (1,000 TL)

Area	1968	1969	1970	1971	1972	5-Year Total
Marmara	200,000	75,000	100,000	75,000	150,000	600,000
Aegean	142,000	47,000	135,000	204,000	232,000	760,000
Mediterranean	300,000	170,000	170,000	160,000	200,000	1,000,000
Inner Anatolia	30,000	20,000	15,000	15,000	20,000	100,000
Gaziantep-Diyarbakir	12,000	7,000	7,000	7,000	7,000	40,000
Eastern Anatolia	12,000	7,000	7,000	7,000	7,000	40,000
Eastern Black Sea	20,000	10,000	10,000	10,000	10,000	60,000
Total	716,000	336,000	444,000	478,000	626,000	2,600,000

Table 14.9. Estimates of Receipts of the Tourism Sector — 1965 Prices (1,000 TL)

	Receipts		
	Internal Tourism	External Tourism	Total
1968	415	405	820
1969	457	495	952
1970	628	693	1,321
1971	690	990	1,680
1972	760	1,215	1,975
1968-1972 Total	2,950	3,798	6,748

14.3. Policy Measures

In order to assure that the investments foreseen in the tourism sector during the Second Five Year Plan period reach the required level, it is necessary that the general policy measures enumerated below be taken:

(1) The necessary changes will be made in the present legal status of the Ministry of Tourism and Information in order to make it possible to reorganize it in such a way as to assure that its efforts are confined to the tourism sector.

(2) During the Second Five Year Plan period Turkey's tourist information activities will be undertaken only by the Ministry of Tourism and Information and, if necessary, with the cooperation of other public institutions.

(3) In order to accelerate the development of tourist activities importance will be given to environmental sanitation and food control; in this connection the necessary efforts will be made to establish a cold storage chain.

(4) In order that tourist facilities in the public sector will be operated by a single body and to follow a consistent operating policy, a "tourism facilities organization" will be established, or this duty will be given to one of the existing institutions.

(5) Credits for tourism will increase, an organization exclusively concerned with this subject will be established, and the credit policy in the tourism sector will be conducted by this institution. Efforts will be made to apply differential interest rates according to the priority of the various tourist regions.

(6) In order to coordinate the education and training efforts operated by various public institutions a "National Center for Tourism Training and Education" will be established.

(7) At the beginning of the Second Five Year Plan period a physical plan concerning Turkish tourism which covers all of the priority tourist regions will be completed and tourism investments will be made in accordance with this plan.

(8) Various possibilities for cooperation for the joint promotion of tourism will be sought in the international field and especially with Mediterranean countries during the Second Five Year Plan period.

(9) During the Second Five Year Plan the protection, restoration and repair of natural, historical and archaeological treasures, monuments, etc. will be undertaken on a priority basis in the regions where touristic accommodations are concentrated.

(10) In the preparation of annual programs the relationship between activities in transportation and tourism will be taken up in more detail.

14.4. Effects of the Second Five Year Development Plan

14.4.1. Balance of Payments Effects

Table 14.2. gives the effects which external tourism receipts are expected to have on Turkey's balance of payments. According to these estimates the difference between receipts and expenditures arising from foreign travel will show an increasing favorable balance after 1968 and the favorable net effect on the balance of payments will be $70 million (630 million lira) in 1972.

14.4.2. Employment Effect

The tourism program to be applied in the Second Plan period should significantly raise the level of employment, especially since the tourism industry is labor intensive and there are few possibilities for automation in this sector. In fact, it is estimated that during the period 1968-1972 40 million man-days of work will be required and a permanent labor force of 150,000 will be employed.

XV. PUBLIC SERVICES

During the Second Five Year Plan period the total amount of investment expenditures in public services will be 4,350 million Turkish lira.

The breakdown of this total amount is shown below:

	TL Millions
1. Drinking water facilities for cities and villages	2,750
2. Construction of administrative buildings	370
3. Sewer systems and fire stations	800
4. City planning	30
5. Mapping and cadastral services	400
Total	4,350

PART FOUR

IMPLEMENTATION OF THE SECOND FIVE YEAR PLAN

XVI. IMPLEMENTATION OF THE SECOND FIVE YEAR PLAN

16.1. Five Year Plan and Annual Programmes

Preparation of the annual programmes will be continued during the Second Five Year Plan period. These programmes will make it possible to readjust the initial assumptions, to correct mistakes occuring in the estimates and to arrive at thetargets in accordance with new data. Through the annual programmes the sectoral distribution of investments can be revised if necessary.

Likewise, if sufficient public revenues have not been achieved, investment expenditures will not be curtailed, but the necessary offset will be obtained through reductions in current expenditures. Should the revenues be surpassed the surplus will be used primarily for investment expenditures. This surplus may also be transferred, in accordance with the principles of a mixed economy, to the private sector for investment.

16.2. Implementation through Annual Programmes

Planned development requires an efficient communication system for the flow of directives and information among economic agents without excessive filling of the communication channels with bureaucratic formalities. During the Second Five Year Plan period, therefore, the problem of communication will be studied and communication between the economic agents and the SPO will be reorganized.

The relations between the SPO and the private sector, a factor of great and increasing importance to the socio-economic development of Turkey, will be reorganized.

The SPO will provide necessary information about the opportunities of investments to the private sector not only through the Plan and Programmes but also through its own continuing research. In order to achieve better and greater investments, communication between the State Planning Organization and the private sector will be increased.

16.3. Tools of Implementation in the Annual Programmes

Principles and measures to be considered in the preparation and implementation of the Annual Programmes are summarized below:

(1) Public enterprises will be free to determine their production levels and the prices of their products within the limitations of existing legislation. They will be required, however, to submit information every three months to the State Planning Organization and the related Ministry concerning the implementation of their production activity.

(2) All public investment project proposals, excluding those of the local governments, will be submitted to the State Planning Organization. Furthermore, all local governments will be required to inform the State Planning Organization of their investments, broken down according to main sectors. The State Planning Organization's opinion will be asked when it is deemed necessary to transfer resources or to allocate foreign exchange from the General Budget to local governments.

(3) Communication between the State Planning Organization and the private sector will be increased.

(4) The State Planning Organization will initiate some investment projects that are considered useful for development to both the public and private sectors.

(5) Private investment projects, especially those related to manufacturing industries, will be examined by the State Planning Organization when the annual programmes are prepared. The foreign exchange requirements of the investment projects which are consistent with the Plan targets will be given priority.

16.4. Organization of the Investment Activities

Operations of the investing establishments will be regulated as cited below:

(1) The expansion of the units which are responsible for the implementation of the investments will be controlled to prevent inefficiency.

(2) The opinions of native and foreign consulting firms will be asked concerning the implementation and control of the large projects.

16.5. Economic and Financial Measures

It is necessary to have successful implementation of the measures and policies described in both the Plan and the Programmes in order to achieve the Plan and Programme targets. Special emphasis will be placed on:

(1) The measures' thoroughness and clarity,

(2) The rapid implementation of the measures. Related establishments will give detailed information to the State Planning Organization every 3 months about the progress of both their implementation of the measures and also their investments.

16.6. Foreign Trade

(1) In order to increase export receipts, revenues from tourism, and workers' remittances, observed difficulties of coordination will be reduced and greater responsibility will be given to the State Planning Organization to achieve this coordination.

(2) Certain important investment projects will benefit from a special foreign currency quota. In the use of this quota no discrimination will be made between the public sector and the private sector except with regard to the principles of the mixed economy.

Final authority for the allocation of funds from this quota will be with the State Planning Organization.

(3) Investment projects to be financed through foreign credits will be selected not with regard to their being public or private but with regard to their expected productivity and their contribution to national development. The priorities will be determined by the State Planning Organization after receiving offers for projects from the public and private sectors. The project proposals should be sent to the State Planning Organization every year before June.

16.7. Development Fund

A development fund will be established in the budget of the State Planning Organization for the coordination of the research and other activities related to economic--especially industrial--development. Details about the use of this fund will be provided in the Annual Programmes.

16.8. Financial Situation

(1) Coordination among the State Planning Organization, the Ministry of Finance, the Ministry of Commerce and the Central Bank will be established.

(2) The Ministry of Finance will make yearly estimates of the revenues and expenditures of the General and Annexed Budgets, and will provide information about the financial situation to the State Planning Organization. Reducations in and revised allocations of expenditures will be based on these estimates.

(3) Current investment projects of State Economic Enterprises and possible new projects will be continuously examined. These enterprises will be required to provide information about their resources every three months to the related Ministry and the State Planning Organization.

(4) In order to avoid delays in the implementation of the investment projects of the State Economic Enterprises, the separate procedure for examination of these projects by the State Planning Organization and the State Investment Bank will be smoothed out and regulated.

(5) All important financial issues related to economic and social development will be examined by the State Planning Organization and then will be submitted to the High Planning Council.

16.9. Statistical Data

Much of the research has been initiated for the preparation of the First Five Year Development Plan and the Annual Programmes. For this reason, during the Second Five Year Development Plan period it is necessary to move toward the completion of these studies. In order to accomplish this, coordination between the State Planning Organization and the State Institute of Statistics will be increased and the SIS will be required to provide necessary statistical data to the State Planning Organization.

(1) National Income and National Accounting Calculations

National income figures which have been calculated separately by State Institute of Statistics and State Planning Organization since 1958, will be calculated jointly from now on. A national accounting system will be established enabling the national income to be calculated not only from the production side but also from the income and expenditure sides.

(2) Investment Calculations

Investment figures calculated until now by the State Institute of Statistics and the State Planning Organization will be estimated jointly in the future.

(3) For the industrial and agricultural sectors, production indices will be prepared using a recent year as the base year.

(4) Price Indices

The existing price indices of Turkey, owing to their insufficient coverage and inefficient calculation methods, are not reliable. In the Second Five Year Plan period the price indices will be based on a new method taking into account a greater number of the country's products.

(5) Stock and Capacity Statistics

The existing knowledge of warehouse stocks and output capacity is negligible. For this reason a new series of statistics will be prepared in this field.

XVII. INSTITUTIONAL REFORMS

17.1. Central Administrations

The central administrative structures of the ministries will be reorganized to prevent the excessive enlargement of the administrative units and necessary legislation will be enacted to allow an appropriate distribution of duties and authorities along the administrative scale.

The establishment of new regional administrative units will not be permitted unless actual requirements for such are determined using objective and scientific criteria.

In order to increase efficiency in financial and administrative controls, to prevent waste of resources, and to facilitate the application of appropriate employment policies, efforts will be made to avoid establishing public institutions having different legal statutes.

17.2. Local Administrative Units

Local administrative units will be reorganized to increase their contribution to economic and social development efforts, and to increase their interest and responsibilities in the performance of public services. Furthermore, instead of an administrative supervision which restricts and impedes local initiative, an indicative supervision in conformity with national objectives will be adopted as the guiding principle by the Central Administration.

17.3. State Economic Enterprises

In accordance with the spirit of the Public Act 440, the studies on the reorganization of the State Economic Enterprises will be completed as soon as possible by an authorized committee. Each enterprise will take the necessary reorganization measures in connection with their organizational and operational concerns.

17.4. Agriculture

Agriculture reform will be regarded as a chain of measures aimed at eliminating the bottlenecks in the agricultural structure. In order to achieve agricultural reform it is necessary to carry out thoroughly cadastre and registry work during the Second Five Year Plan period.